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

年報 2019
ANNUAL REPORT

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Financial Information

Operational Highlights

In thousands of Hong Kong dollars unless specified

On Order Intake	For the year ended 31 December 2019	For the year ended 31 December 2018	Change in percentage
Gross Merchandise Value ("GMV")[1]	**2,779,070**	1,891,256	46.9%
Average Daily Order Number (rounded to the nearest hundred)	**15,100**	10,300	46.6%
Average Order Value (HK$) (rounded to the nearest dollar)	**504**	504	—
Combined Unique Customers (rounded to the nearest thousand)	**823,000**	680,000	21.0%

On Order Intake	For the month ended 31 December 2019	For the month ended 31 December 2018	Change in percentage
Gross Merchandise Value ("GMV")	**270,816**	194,850	39.0%
Average Daily Order Number (rounded to the nearest hundred)	**18,700**	12,200	53.3%
Average Order Value (HK$) (rounded to the nearest dollar)	**467**	516	(9.5%)

[1] Gross Merchandise Value ("GMV") on order intake 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.

Financial Highlights

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

	For the year ended 31 December 2019	For the year ended 31 December 2018	Change in percentage
Turnover	**1,413,958**	896,374	57.7%
EBITDA loss[2, 3]	**(218,361)**	(240,192)	(9.1%)
EBITDA loss/GMV on completed orders (in%)	**(8.1)%**	(13.1)%	5.0%
Adjusted EBITDA loss[2, 4]	**(216,002)**	(271,447)	(20.4%)
Adjusted EBITDA loss/GMV on completed orders (in%)	**(8.0)%**	(14.8)%	6.8%
Loss attributable to shareholders	**(289,913)**	(133,095)	117.8%
Capital Expenditure— Property, plant and equipment (excluded other properties leased for own use)	**108,476**	154,753	(29.9%)

	As at 31 December 2019	As at 31 December 2018	Change in percentage
Cash position[5]	**149,713**	105,901	41.4%
Other financial assets	**555,552**	681,929	(18.5%)
Bank loans	**315,015**	79,392	296.8%
Total equity attributable to equity shareholders	**1,451,608**	1,708,389	(15.0%)
Number of shares in issue (in thousands)	**820,734**	814,217	0.8%
Net asset per share (HK$)	**1.77**	2.10	(15.7%)
Gearing ratio (total bank loans less cash position divided by total equity) (times)	**0.11**	—	N/A

2 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.

3 EBITDA loss means loss for the year plus interest on bank loans (excluded finance costs — interest on lease liabilities upon adoption of HKFRS 16), income tax (credit)/expense, depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use upon adoption of HKFRS 16) and amortisation of intangible assets and deduct investment returns and major non-operating gain.

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

5 Cash position means cash at bank and in hand and term deposits, excluding pledged bank deposits.

Reconciliation of Adjusted EBITDA Loss

	For the year ended 31 December 2019 HK$'000	For the year ended 31 December 2018 HK$'000
Loss attributable to shareholders	**(289,913)**	(133,095)
Income tax (credit)/expense	**(54)**	337
Interest on bank loans (excluded finance costs — interest on lease liabilities upon adoption of HKFRS 16)	**5,139**	4,718
Investment returns[6]	**(33,820)**	(41,987)
Gain on disposal of a subsidiary	**–**	(161,645)
Depreciation — on property, plant and equipment (excluded depreciation on other properties leased for own use)	**85,460**	67,464
Amortisation on intangible assets	**14,827**	24,016
EBITDA loss	**(218,361)**	(240,192)
Major non-cash items:		
Valuation gains on investment properties	**(750)**	(43,550)
Net exchange loss	**4,362**	2,932
Provision/(reversal) of expected credit losses on debt securities measured at fair value through other comprehensive income	**671**	(224)
Non-cash licensing income	**(1,666)**	(10,175)
Unrealised fair value (gain)/loss on units in investment funds measured at fair value through profit or loss	**(378)**	12,573
Equity-settled share-based payment expenses	**120**	7,189
Adjusted EBITDA loss	**(216,002)**	(271,447)

6 Investment returns include bank interest income, dividend and investment income from other financial assets, interest income from other financial assets and loss/(gain) on disposal of other financial assets.

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

Major Milestones and Events

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

Major Milestones and Events

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 "HKTVmall". 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

Major Milestones and Events

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 and opened the first concept store in North Point

2017

JAN
Opened the second concept store in South Horizons

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

OCT
Opened the 10th O2O Concept Store at Shatin CityOne

2018

JAN
"THE BASE — Ecommerce Incubation Programme" officially 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

Major Milestones and Events

2019

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

MAR
Automated picking & warehousing system at the logistics centre of Tseung Kwan O headquarters commenced operation

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

JUL
Opening of new logistics centre in Tuen Mun

AUG
Opening the 60th store at Sheung Shui Centre

OCT
Empowered by the one-month "Thankful Festival", sales performance was pushed to a record high with GMV reaching HK$275.5 million and average 19,500 daily orders for October 2019

2020

FEB
Crossbelt sorter system at the logistics centre in Tuen Mun commenced operation

FEB
Collaborates with a number of well-known chain retailers, including Baleno, CATALO, Foodwise, GIORDANO and Hung Fook Tong, to have their outlets serving as pick up points for HKTVmall customer orders, making up a total of 115 pick up points

FEB
Cooperates with large scale outsourced companies and individual drivers, ramping up to as high as 350 trucks operating daily

MAR
Established mask factory and started production of surgical masks

Chairman's Statement

Dear Shareholders,

This article was written at the time when COVID-19 is spreading globally and Hong Kong is facing critical challenges.

Looking back at 2019, the Group's 24-hour online shopping mall-HKTVmall has developed steadily. The three core pillars on infrastructures that the management has been emphasizing have gradually become more mature and stable, fuelling the Group with sufficient capacity to handle surging orders in response to the epidemic since early 2020.

A FAIR AND TRANSPARENT ONLINE SHOPPING MALL

The first major infrastructure pillar is our "online shopping mall". This mall is already the largest in Hong Kong and has partnered with more than 3,200 retailers and suppliers, offering more than 320,000 items for sale, including many large brands, traditional retailers, traders, small and medium retailers and enterprises, to display and sell their own products on the platform. HKTVmall is an open online shopping mall that any merchant is welcome to join. Therefore, merchants on HKTVmall are having different commission rates as they joined us through different channels and merchant plans, even though they may be selling exactly the same products.

In this aspect, the role of HKTVmall is not only to provide platform space, research and development of technologies, sales support and marketing, etc. The most important thing is to create a fair and transparent competitive environment to protect customer choices and rights. In this regard, we notified all merchants at the end of last year for a new commission plan starting from 1 January 2020 : standardized commission rates for merchants selling the same product category. In the future, merchants will be able to sell and promote their products under this fair and transparent commission plan.

At the same time, as the number of suppliers, retailers and brands cooperating with HKTVmall has increased significantly, we understand that merchants are facing fierce competition on advertising space on HKTVmall. Therefore, we opened some of the advertising resources on HKTVmall to merchants with fees, including splash ad, image slider, electronic Direct Mail, etc; hoping that both large and small businesses will have the opportunity to use advertising resources on HKTVmall under a transparent mechanism, and to allow customers selecting their products on a fair basis.

AUTOMATED & ROBOTIC SYSTEM

The second infrastructure pillar is the four logistics centres with a total area of more than 400,000 square feet located in different districts of Hong Kong, and with different automated and robotic systems being installed. As mentioned in the annual results announcements over the past years, the first and second phases of automated picking and warehousing system introduced from Germany, which are located at the logistic centres in Tsing Yi and the headquarters of Tseung Kwan O have been completed. They can now handle 20,000 orders on supermarket products and groceries daily on a combined basis, bringing higher efficiency and accuracy to our logistics, warehousing and fulfilment operations. The effectiveness of the system is even more prominent from January to February this year, when the public has less desire to go and stay in crowded locations and switched to shop online for daily life and disinfection products, which brought a surge in the order numbers of HKTVmall.

In fact, currently around 60% of the collaboration between HKTVmall and merchants falls into the items from merchant's self-operated warehouses, which will be packed according to customer orders and delivered to HKTVmall's logistics centre in Tuen Mun, and we sort these orders based on delivery addresses. In the past, the operation of sorting was conducted manually, with intensive manpower performing the work from evening to overnight. As the number of orders increased, manual operations became a bottleneck for the Group's business growth. To this end, the Group has been looking for different innovative logistics technologies to deal with this issue. In February 2020, the establishment of a set of cross-belt automatic sorting system was officially completed to enhance productivity, accuracy of order processing and to improve the working environment of warehouse operators.

Chairman's Statement

In simple terms, this automatic sorter system scans the barcode labels on parcels and distributes the parcels to designated delivery points with the use of conveyance belts. The sorters are designed to handle throughputs around 13,000 items per hour on average and sort a wide range of products from large parcels down to loose items, to different delivery points with an accuracy rate of 99%.

SSI systems located in Tsing Yi and Tseung Kwan O Headquarters logistics centre

Crossbelt sorter system located in Tuen Mun logistics centre

AGV system located in Tseung Kwan O Headquarters

Collaborate with Third Parties to Expand Delivery Network & Pick Up Points

The third infrastructure pillar is the residential distribution network, which includes our fleet and store network. The scale of the fleet is about 250 trucks operating daily, and orders are delivered to customers by delivery talents and drivers. In order to deal with the surge of orders, the Group has expanded its delivery capacity by working with a number of large scale outsourced companies and individual drivers starting from February 2020, ramping up to as high as 350 trucks operating daily.

Another segment of residential distribution is HKTVmall's O2O stores. In addition to serving as an education centre of our 60+ O2O stores, the role of a sales centre was added during the year, and electronic payment options including Octopus and credit cards are accepted for onsite sales of fresh fruit and frozen meat products.

Another important role of HKTVmall O2O stores is the pick up service for customer orders. Starting from 14 February 2020, we extended our collaboration with a number of well-known chain retailers including Baleno, CATALO, Foodwise, GIORDANO and Hung Fook Tong, to have their outlets serving as pick up points for HKTVmall customer orders. This collaboration has increased our 90 pick up points (including 64 HKTVmall O2O stores, 19 mobile pickup trucks and 7 merchant stores) by 25 pick up points, making up a total of 115 pick up points. This collaboration not only offers convenience to customers, merchants are also benefited from increased traffic. We will continue to expand this collaboration model.

Conclusion: Prospects and Blessings

Under the current COVID-19 outbreak, Hong Kong people are now spending more time at home and have listened to the opinions of medical experts to avoid crowded places. This outbreak has brought unprecedented challenges to Hong Kong, especially the retail industry, and no one can estimate how long it will last. However, this has brought gradual changes to the working and consumption habits of Hong Kong people. For example, online conferencing and online shopping are becoming more popular and habit-forming.

Chairman's Statement

Traffic and business volume in the past two months have increased more than expected. While bringing us business growth, it has also led to a considerable number of HKTVmall customers facing unpleasant experiences of online shopping and delivery services. Therefore, after attracting a large number of new customers, how to convert them into regular users and repeat purchasing through HKTVmall is the challenge we are facing. If we can overcome this issue, HKTVmall will be able to step up to a higher level of development.

After the increase in demand in January and February 2020, management has examined the shortcomings of HKTVmall more clearly; all Talents of the Group, including logistics, O2O stores, information technology and system management, marketing, etc., will continue to work hard to overcome these challenges.

Following the change of business landscape of Hong Kong retail industry, and referencing to the growth and trend for the Group's turnover over the first three months of this year, we should make an upward adjustment on the GMV target for 2020 at HK$3.4 billion that we set at the end of last year. We estimate that the GMV for the first three months of this year will exceed HK$1.2 billion. Despite the fact that HKTVmall has catered for the new shopping model for consumers with new technologies that has solved the needs of daily necessities for Hong Kong people, the current outbreak has led to economic downturn or even recession for global economy that may severely affect the Hong Kong economy that will reduce the income of Hong Kong people and will result in reduction of shopping intention in both physical stores and online platforms. Even though we are sure that HKTVmall is on the right track and this year we are likely to have better business performance than 2019, the possibility of further deterioration of the current outbreak may pose more uncertainties to our economic outlook and therefore we are unable to make a proper quantitative estimation for the growth of sales turnover this year. We will continue to keep an eye on the situation and estimate the impact on the sustainability of the Group's business growth.

Finally, wish you all stay healthy.

Cheung Chi Kin, Paul
Chairman

Wong Wai Kay, Ricky
Vice Chairman

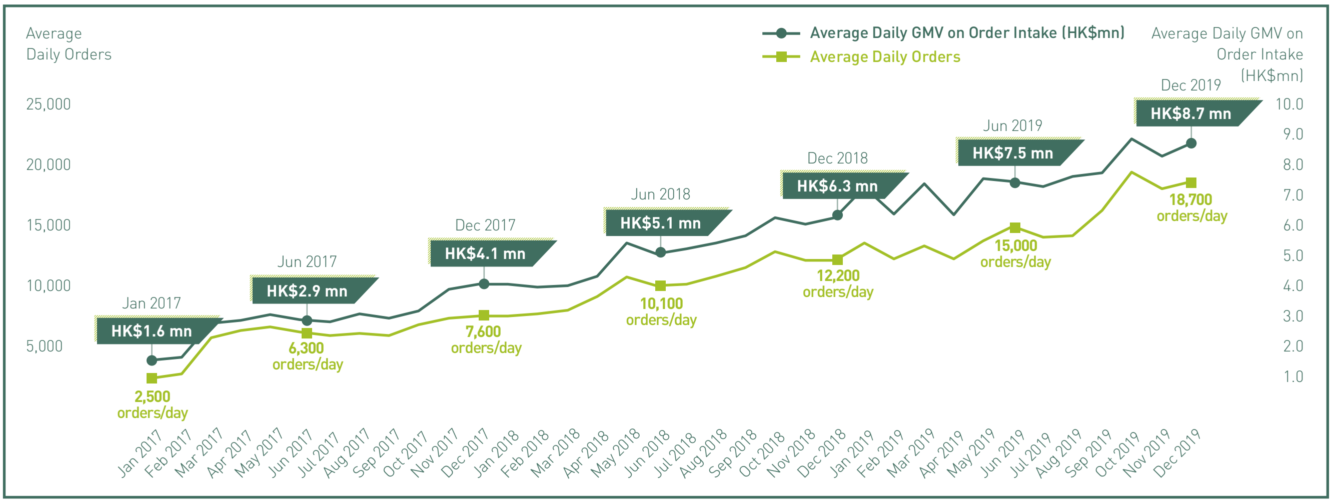
Hong Kong, 26 March 2020

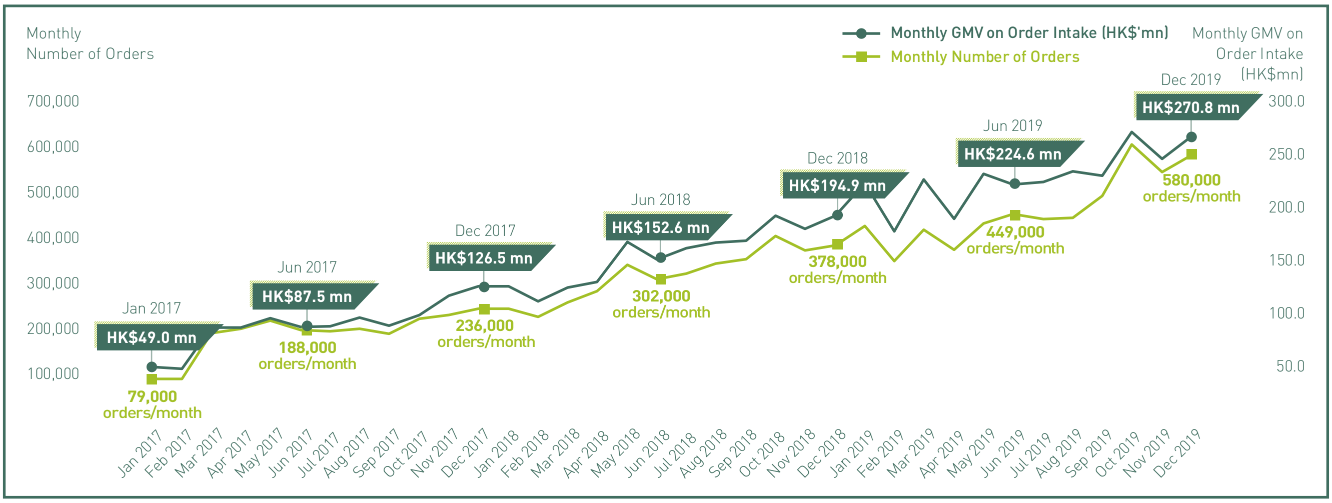
Management's Discussion and Analysis

BUSINESS REVIEW

The local economic and political environment remained challenging during the year under review in particular on the retail sector. On a year-on-year basis, Hong Kong's value of total retail sales in 2019 has decreased by 11.1% to HK$431.2 billion across all product categories except for commodities in supermarkets and fuels[7]. At HKTV, we had a different phenomenon. Our growth momentum continued and our annual GMV on order intake reached HK$2,779.1 million in 2019, a year-on-year growth by 46.9%, and average daily order numbers increased from 10,300 in 2018 to 15,100 in 2019, an increase by 46.6%. Apart from February 2019 and April 2019 which sales performance were affected by the exceptionally long holidays for Chinese New Year and Easter, different marketing campaigns launched during the year have brought the Group's sales performance on an upward trend, such as "Summer Festival" in June 2019, "HK$99 Frozen Meat Sets" in September 2019, and most importantly, in October 2019, embraced by the "Thankful Festival" held from 11 October 2019 to 11 November 2019, the Group's sales performance was pushed to a record high with GMV on order intake and average daily order numbers reaching HK$275.5 million and 19,500 orders respectively.

Below are two graphs demonstrating the sales trend on average daily basis and monthly basis:





[7] Source: "Report on Monthly Survey of Retail Sales" — January 2020 , Census and Statistics Department Hong Kong Special Administrative Region

GROSS PROFIT MARGIN AND BLENDED COMMISSION RATE

In thousands of Hong Kong dollars unless specified except for ratios

On completed orders and on adjusted basis[8]	For the year ended 31 December 2019	For the year ended 31 December 2018
Direct merchandise sales		
GMV on completed orders[8, 9]	**1,129,506**	715,093
Cost of inventories	**(853,258)**	(538,752)
Gross profit	**276,248**	176,341
Gross profit margin	**24.5%**	24.7%
Income from concessionaire sales and other service income		
GMV on completed orders[8]	**1,578,310**	1,118,970
Merchant payments (net off by other service income)	**(1,276,219)**	(918,582)
Income from concessionaire sales and other service income[10]	**302,091**	200,388
Blended commission rate	**19.1%**	17.9%
Total GMV on completed orders[8]	**2,707,816**	1,834,063
Total gross profit and income from concessionaire sales and other service income[9,10]	**578,339**	376,729
Total gross profit margin and blended commission rate	**21.4%**	20.5%

In 2019, the Group maintained a stable proportion of sales from the two main business models of its eCommerce business — direct merchandise sales accounted for about 41.7% (2018: 39.0%) of the total GMV on completed orders while concessionaire sales and other service income accounted for 58.3% (2018: 61.0%). Before netting any HKTVmall dollars usage and promotional coupon deduction, the Group's total gross profit margin and blended commission rate increased from 20.5% in 2018 to 21.4% in 2019, which was mainly due to the growth in blended commission rate from concessionaire sales and other service income from 17.9% in 2018 to 19.1% in 2019. The improved blended commission rate was due to the progressive increment on merchant commission rate and also the shift of GMV on completed orders from lower commission product categories, such as Digital and Electronics, to higher commission product categories, such as Beauty and Health, during 2019. The gross profit margin on direct merchandise sales remained stable at 24.5% in 2019 (2018: 24.7%). As a result, the Group's total gross profit and income from concessionaire sales and other service income increased by 53.5% to HK$578.3 million in 2019.

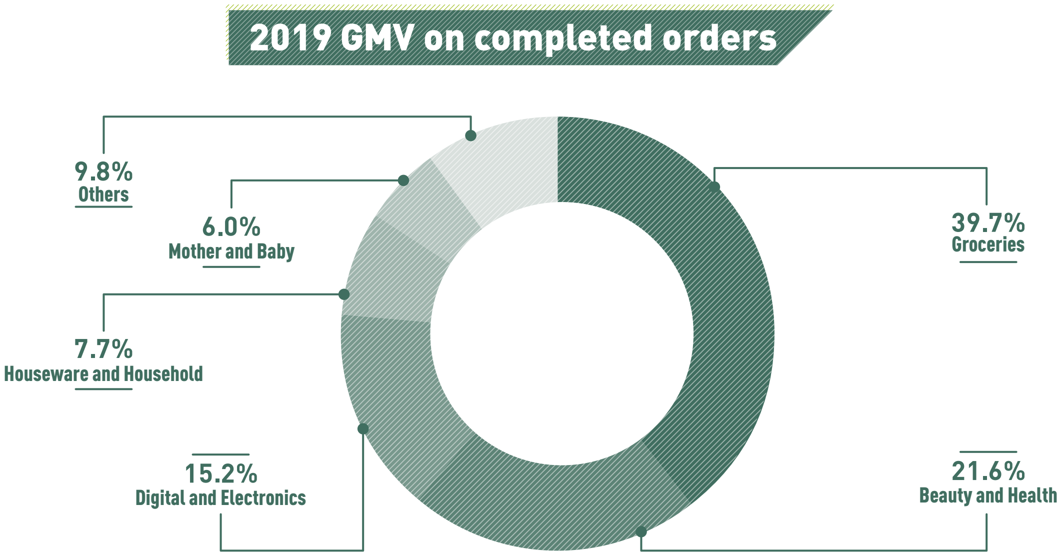
8 GMV on completed orders represents the total gross sales dollar value for merchandise sold through a particular marketplace and the customer has obtained control of the promised goods and services ordered over a certain time frame, after deduction of any discounts offered by the marketplace, cancellation 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.

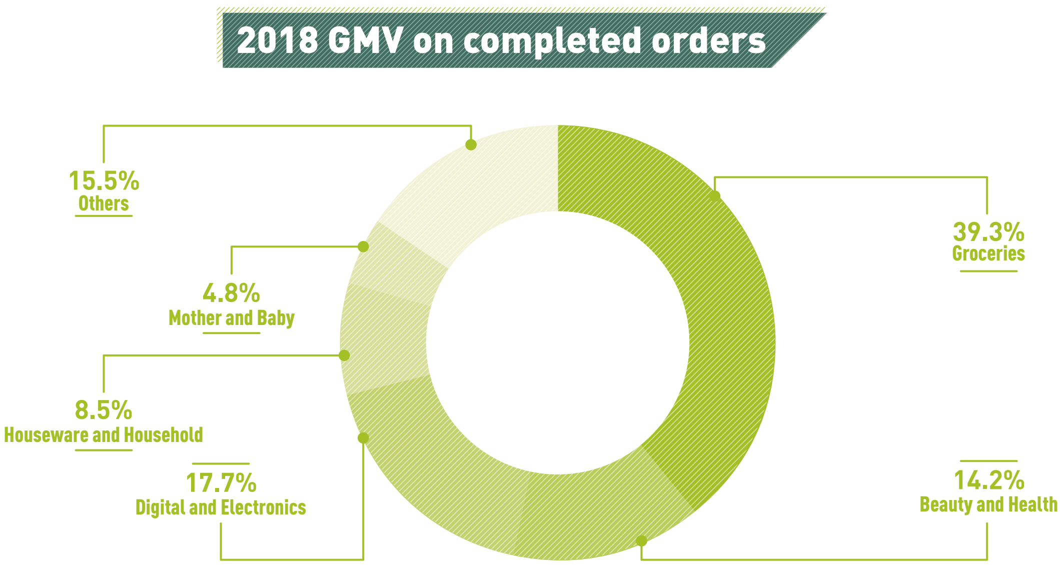
9 For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVmall dollars of HK$4,743,000 (2018: HK$13,412,000) and use of promotional coupon of HK$23,758,000 (2018: HK$15,792,000).

10 For income from concessionaire sales and other service income, it is before the addition of net HKTVmall dollars of HK$679,000 (2018: deduction of HK$3,030,000).

Management's Discussion and Analysis

Among different product categories, in 2019, Groceries continued to be the largest contributor, accounting for 39.7% (2018: 39.3%) of the Group's total GMV on completed orders. Beauty and Health has surpassed Digital and Electronics and become the second place, contributing 21.6% to the Group's total GMV on completed orders, representing a substantial increment from 14.2% in 2018.





Management's Discussion and Analysis

In terms of gross profit margin and blended commission rate, Groceries remained the highest product category achieving 27.1% in Q42019. The following graphs depict the quarterly proportion of GMV on completed orders and quarterly gross profit margin and blended commission rate among the main product categories:

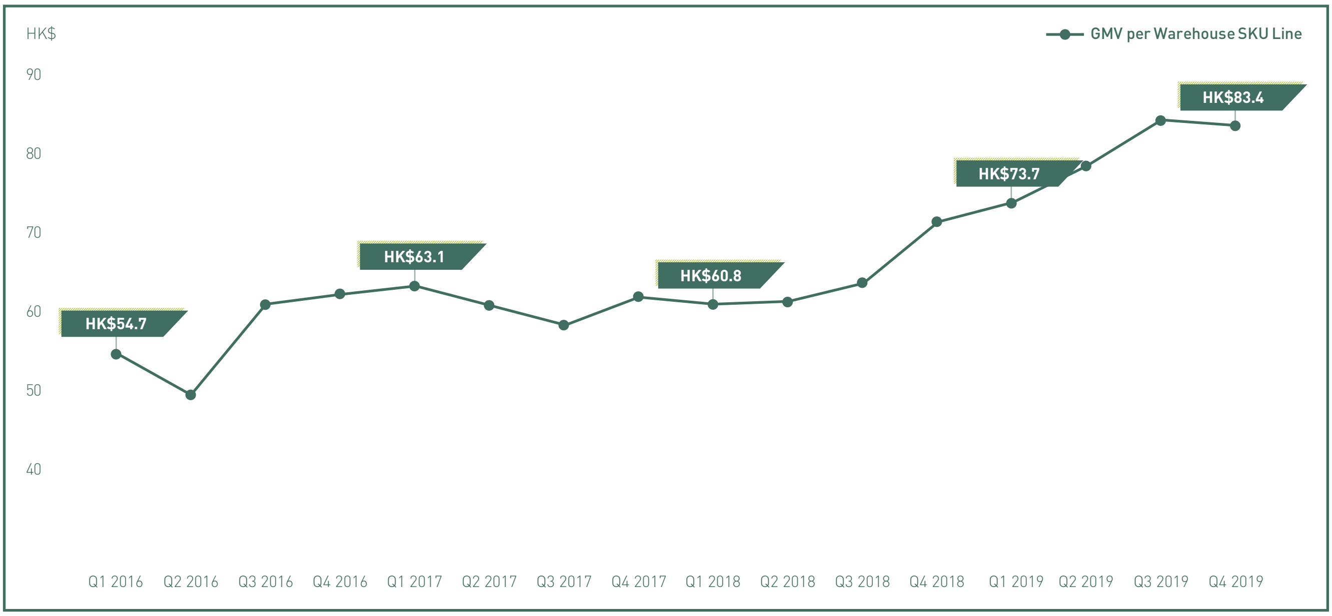
Management's Discussion and Analysis

While the Group has experienced quality growth in its top line and also the gross profit and income from concessionaire sales and other service income, certain key parameters have also improved over time.

- **New Customer acquisition** — During 2019, around 823,000 unique customers made purchases at HKTVmall and/or HoKobuy, representing a growth of 21.0% from 680,000 in 2018.

- **Average purchase frequency and product categories** — the average purchase frequency per customer at HKTVmall has increased from 3.03 times in Q42018 to 3.76 times in Q42019, while the average number of main product categories purchased per customer per quarter also increased from 2.44 in Q42018 to 2.57 in Q42019.

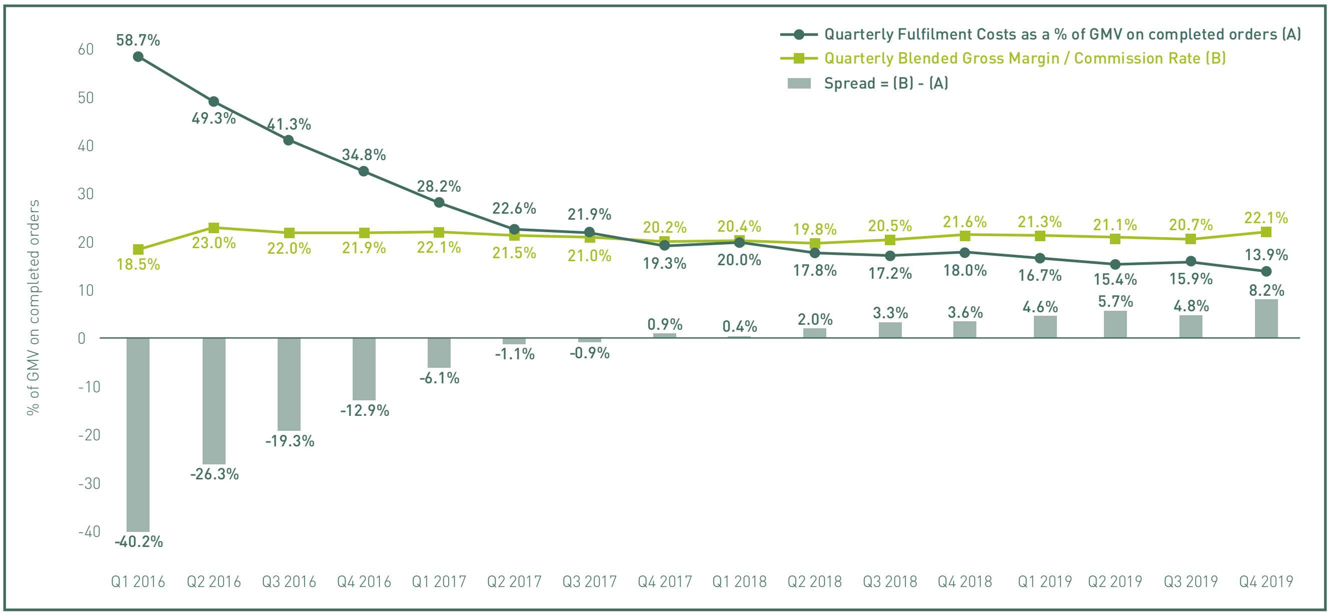
- **GMV per warehouse SKU[11] line** — the push for "Bulk/Full Case" purchase and the new program "Buy More Save More" on the same SKU launched since February 2019 has facilitated the continuing growth trend on GMV per warehouse SKU line which has increased from HK$71.3 per warehouse SKU line in Q42018 to HK$83.4 per warehouse SKU line in Q42019. This improvement has also enhanced the fulfilment efficiency over time.



Other than the above key parameters, the Group has put significant effort to achieve efficiency gain in particular on its fulfilment costs. On pre-HKFRS 16 basis, the quarterly fulfilment costs as a percentage of GMV on completed orders further decreased to 13.9% in Q42019 versus 18.0% in Q42018. This represents a big step towards the Group's EBITDA breakeven target.

[11] SKU refers to Stock Keeping Unit which is a distinct type of item for sale (source: http://en.wikipedia.org/wiki/stock_keeping_unit).

Management's Discussion and Analysis



The above efficiency gain not only came from the increase in business volume, but also from the continued effort made on process automation and enrichment of fulfilment channels during the year under review.

- **Expanding fulfilment capacity and channels** — to cope with the continued growth in business volume, in July 2019, a 110,000 square feet new logistics centre located at Tuen Mun was set up to handle the delivery for the northern and eastern parts of the New Territories, and also to handle the transit parcels from merchant concessionaire sales. Moreover, an additional 50 multi-compartment delivery trucks were added to the delivery fleet which are capable of storing products in 3 different temperatures. Other than increasing its own capacity, the Group is also enriching its fulfilment channels by partnering with 3rd party merchants for additional order pick up points. As at the year end date, together with our O2O shops, the Group has extended its order pick up points to 62, versus 39 at 2018 year-end.

- **Process automation** — the automated picking and storage system in Tseung Kwan O headquarters has launched in March 2019, together with the automation system in Tsing Yi logistics centre which launched in March 2018, the Group has a total capacity to handle around 20,000 orders consisted of warehouse products per day. This automation has substantially saved a lot of manpower who used to run around the warehouse for picking and stock replenishment.

Moreover, a new sorting system was installed at Tuen Mun logistics centre which was under final tuning during December 2019 for handling transit parcels from merchant concessionaire sales, and to sort the parcels into respective delivery fleet routes according to the delivery destinations. This new system has been fully launched in February 2020 and is expected to bring manpower efficiency and also substantial capacity in handling around 13,000 transit parcels per hour.

For O2O shops, given the pessimistic outlook in the offline retail sector and the expected deteriorating rental market, the Group has adopted a conservative and cost-effective approach in the O2O shop expansion plan since the second half of 2019. By the end of 2019, the Group had 60 O2O shops in operation (2018: 39). Though we have less O2O shops than originally planned at the beginning of 2019, the business scope of these O2O shops have been expanded to be more sales driven. In the past, the O2O shops were more for order pick-up, customer education and marketing presence. In 2019, the Group has put more weighting on the Point-of-Sales, in particular on selling fruit and frozen meats. These have turned the shops to one of the key entrance points for offline-to-online customer conversion and have also brought additional revenue to the Group.

Management's Discussion and Analysis

Overall, 2019 was a turbulent year for Hong Kong. Nevertheless, we have made use of this window to re-engineer and refine the front-end user experience and also the supporting capacity and efficiency in particular on fulfilment functions. The positive impact has started to reflect in the 2019 financial results with EBITDA loss margin narrowed down from 13.1% in 2018 to 8.1% in 2019, on pre-HKFRS 16 basis. The re-engineering and refinement is an ongoing process for future business growth so as to pave the way forward for breakeven status in the foreseeable future.

FINANCIAL REVIEW

During the year, the economic slow-down and the social movement in Hong Kong stressed the retail sector especially in the second half of 2019. Nevertheless the Group's eCommerce business managed to continue its growth and recorded a 47.6% increment on GMV on completed orders reaching HK$2,707.8 million (2018: HK$1,834.1 million).

The Group's turnover increased by 57.7% to HK$1,414.0 million in 2019 (2018: HK$896.4 million) which is composed of HK$1,101.0 million from direct merchandise sales (2018: HK$685.9 million), HK$302.8 million from concessionaire sales and other service income (2018: HK$197.4 million) and HK$10.2 million from net advertising income and licensing of programme rights (2018: HK$13.1 million). With the 60.5% strong growth in direct merchandise sales, the cost of inventories increased correspondingly to HK$853.3 million (2018: HK$538.8 million), representing a 58.4% increase.

In 2019, other operating expenses increased by 21.1% to HK$893.3 million relative to HK$737.6 million incurred in 2018. However, the total other operating expenses as a percentage of GMV on completed orders has improved by 7.2% in 2019 versus 2018.

	2019		2018	
	HK$ million	**As a% of GMV on completed orders**	HK$ million	As a% of GMV on completed orders
Fulfilment costs (note 1)	**412.1**	**15.2%**	332.5	18.1%
Marketing, promotional and O2O shop operating expenses (note 2)	**151.3**	**5.6%**	119.1	6.5%
eCommerce operation and supporting costs	**229.4**	**8.5%**	188.6	10.3%
Major non-cash items (note 3)	**100.5**	**3.7%**	97.4	5.3%
Total other operating expenses	**893.3**	**33.0%**	737.6	40.2%

Notes

1. For comparison purpose, including depreciation — other properties leased for own use of HK$33.4 million upon adoption of HKFRS 16 in 2019

2. Excluded HKTVmall dollars and promotional coupon of HK$27.8 million (2018: HK$32.2 million) being deducted in turnover and, for comparison purpose, included depreciation — other properties leased for own use of HK$37.0 million upon adoption of HKFRS 16 in 2019

3. For comparison purpose, excluding depreciation — other properties leased for own use of HK$70.4 million upon adoption of HKFRS 16 in 2019

Management's Discussion and Analysis

1) **Fulfilment costs** incurred for warehousing and logistics functions included shop pick up costs allocation. The fulfilment cost as a percentage of GMV on completed orders dropped from 18.1% in 2018 to 15.2% in 2019 though the absolute amount increased by HK$79.6 million to HK$412.1 million in 2019. The increase was mainly due to expansion of our own delivery fleet and the use of third parties' logistics partners for last mile delivery, and the launch of our new fulfilment centre located in Tuen Mun since July 2019. Nevertheless, the operational efficiency has improved continuously due to the launch of the automated picking and warehousing system at Tsing Yi logistics centre and Tseung Kwan O headquarters in March 2018 and March 2019 respectively. The system substantially cut down the manpower costs for picking and stock replenishment.

   On last mile order fulfilment, efficiency continued to gain from the increasing average daily orders from 12,200 in December 2018 to 18,700 in December 2019, the ongoing refinement of delivery zone per truck based on geographical order distribution and the additional pick up capacity from an expanded O2O shop network from 39 in December 2018 to 60 in December 2019. Moreover, in December 2019, we started to engage third party merchant partners to widen our order pick up choices to meet different customers' fulfilment requirements. All of the above measures gradually improved the operational leverage for the Group's EBITDA breakeven target.

2) **Marketing, promotional and O2O shop operating expenses** mainly spent on acquiring new customers and driving for repeated purchase on more product categories and increased basket size, and for O2O shop running costs. During the year under review, we continued to spend the marketing expenditure on promotional coupons, HKTVmall dollars usage, digital channels, TV commercials advertising and O2O shop running and all related functions' Talent costs. The marketing, promotional and O2O shop operating expenses were managed to be within 6%-8% of GMV on completed orders. There was an increase of HK$32.2 million this year mainly due to the net growth of O2O shops from 39 in December 2018 to 60 in December 2019, and the use of promotional coupons as an effective tool to attract new customers and to drive for repeated purchase.

3) **eCommerce operation and supporting costs** includes merchant relations and acquisition, customer service, information technology, and other supporting functions. An increase of HK$40.8 million comparing with the corresponding period in 2018 was mainly due to the increase in payment processing charge in line with the growth in GMV, and for the expansion of customer service and technical functions for service quality and customer experience enhancement, and the resumption of remuneration to 2 executive directors effective from the beginning of 2019. Although there was an increase in absolute costs, there was a continuous efficiency improvement whereby this cost item as a percentage of GMV on completed orders decreased from 10.3% in 2018 to 8.5% in 2019.

4) **Major non-cash items** mainly include depreciation on property, plant and equipment, amortisation of intangible assets and equity-settled share-based payment. There was an HK$18.0 million increase in depreciation mainly due to launch of the automated picking and warehousing system in March 2019 at Tseung Kwan O headquarters, and the renovation, furniture and equipment costs for the net increase of 21 O2O shops during the year of 2019, plus the depreciation on expansion of our own delivery fleet, which was partially net off by the decrease in share-based transaction expenses from HK$7.2 million to HK$0.1 million as a new batch of share options were granted in December 2019.

During the year ended 31 December 2019, a valuation gain of the Group on investment properties of HK$0.8 million (2018: HK$43.6 million) was recognised based on the valuation carried out by an independent firm of surveyors at year end, representing a drop of HK$42.8 million.

During 2018, the Group disposed of an investment property holding subsidiary and recognised a gain on disposal of HK$161.6 million.

Management's Discussion and Analysis

Other income, net, of HK$54.4 million was earned in 2019 (2018: HK$46.9 million), mainly composing of investment income generated from other financial assets, bank interest income, rental income from investment properties, and offset by net exchange loss. The increase of HK$7.5 million was mainly caused by:

1. HK$12.1 million net increase in unrealised fair value gain to HK$0.3 million (2018: loss of HK$12.6 million) on financial assets measured at FVPL, after netting off the expected credit losses recognised amounting to HK$0.6 million (2018: reversal of HK$0.2 million);

2. HK$5.3 million increase in rental income from investment properties to HK$23.8 million in 2019; partially net off by:

3. the decrease in bank interest income and returns from investment in other financial assets of HK$8.2 million due to the realisation of certain investment portfolio to support the capital expenditure and operating activities of the Group; and

4. the increase in net exchange loss of HK$1.4 million to HK$4.4 million in 2019 mainly due to the depreciation of USD against HKD during the year.

Finance costs amounted to HK$12.5 million in 2019 (2018: HK$4.9 million), an increase of HK$7.6 million mainly due to the interest on lease liabilities of HK$7.1 million upon the adoption of HKFRS 16 in 2019.

Overall, the Group incurred a loss of HK$289.9 million for 2019 relative to HK$133.1 million for 2018. If excluding interest on bank loans, income tax expense, depreciation of property, plant and equipment (excluding depreciation of other properties leased for own use of HK$70.4 million after the adoption of HKFRS 16), amortisation of intangible assets, investment returns, gain on disposal of a subsidiary in 2018, and major non-cash items mainly including the valuation gains on investment properties ("Adjusted EBITDA"), the Group incurred an Adjusted EBITDA loss of HK$216.0 million in 2019 versus loss of HK$271.4 million in 2018 representing a significant improvement of HK$55.4 million in 2019.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2019, the Group had total cash position representing cash at bank and in hand of HK$149.7 million (31 December 2018: HK$105.9 million) and outstanding borrowings of HK$315.0 million (31 December 2018: HK$79.4 million) drawn mainly for investment yield enhancement purposes. The increase in cash position was mainly due to the net cash inflow from changes in investment portfolio of HK$141.2 million, net proceeds from bank loan borrowing of HK$231.4 million, net investment income received of HK$38.9 million, and proceeds of HK$9.5 million from issuance of new shares from share options exercised during the year, partially net off by the resources utilised for operating activities of HK$172.4 million, capital and interest element of lease rentals of HK$64.8 million upon the adoption of HKFRS 16, purchases of property, plant and equipment of HK$139.9 million.

On investment in other financial assets, the Group has invested, at fair value, HK$555.6 million as at 31 December 2019 (as at 31 December 2018: HK$681.9 million). As at 31 December 2019, there was a net surplus of HK$8.2 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2018: a revaluation deficit of HK$15.4 million). During the year, the total fair value change on other financial assets (after netting of expected credit losses recognised) amounted to HK$23.3 million, in which a loss of HK$0.3 million, gains of HK$19.4 million and HK$4.2 million were 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, investments that are 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.

Management's Discussion and Analysis

As at 31 December 2019, the Group has utilised HK$315.0 million (31 December 2018: HK$79.4 million) uncommitted banking facilities mainly for investment purpose, leaving HK$624.9 million (31 December 2018: HK$1,022.0 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at bank and in hand and term deposits within three months of maturity, if any. There is a pledged bank deposit as at 31 December 2019 and 31 December 2018 with an amount of US$0.5 million (equivalent to HK$3.9 million) as security for a banking facility of equivalent amount granted by a bank for certain short term credit facility arrangement.

The debt maturity profiles of the Group as of 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Repayable within one year	**315,015**	79,392

As at 31 December 2019, our outstanding borrowings bore fixed interest rate and were denominated in Hong Kong dollars. After considering the cash and cash equivalents and term deposits, if any, held by the Group, the gearing ratio of the Group as of 31 December 2019 was 0.11 times. The Group was in a net cash position as of 31 December 2018 and hence no gearing ratio was presented. The Group is of the opinion that, after taking into consideration 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 2019 HK$'000	31 December 2018 HK$'000
Net Debt (note (a))	**(165,302)**	—
Net Assets	**1,451,608**	1,708,389
Gearing (times)	**0.11**	—

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

During 2019, the Group invested HK$139.9 million on capital expenditure as compared to HK$140.1 million in 2018. The capital expenditure for 2019 was mainly incurred for automated picking and warehousing system, new O2O shops opening, additional delivery trucks, renovation for fulfilment centre and 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 2019, the Group's bank loans of HK$315.0 million (31 December 2018: HK$79.4 million) were secured by other financial assets held by various banks with carrying value of HK$555.6 million. Moreover, as of 31 December 2019 and 31 December 2018, there was 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 was pledged by an equivalent amount of bank deposit.

Management's Discussion and Analysis

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 dollar and the Renminbi arising from its investments mainly in Renminbi fixed income products or term deposits, and between the Hong Kong dollar 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 2019 and 31 December 2018, the Group had no material contingent liabilities or off-balance-sheet obligations.

PRINCIPAL RISKS AND UNCERTAINTIES

The 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 the Group's business. There may be other risks and uncertainties in addition to those shown below which are not presently known to the Group or currently deemed immaterial but may adversely affect us in future.

1. Risks relating to our business and operations

Performance of the 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 it 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 25 to the financial statements.

Management's Discussion and Analysis

PROSPECTS

Under the shadow of the Coronavirus Disease 2019 ("COVID-19") outbreak and the uncertain economy in Hong Kong, the business environment remained unfavourable in particular for the retail sector, travel and hospitality sector and also for the employment market. The COVID-19 outbreak is an unprecedented challenge around the world which not only caused business interruption but also forced people to stay at home. This is an unavoidable business risk to most of the corporates but in the meantime, this could be an opportunity to drive for "Change and Innovation".

While it is difficult for anyone to estimate when the COVID-19 outbreak will come to an end, the Group observes that the Hong Kong consumers now have a higher tendency and frequency to shop for their needs online than before, in particular on non-discretionary goods. The Group expects that after experiencing online shopping for several months, some of our customers may change their shopping behaviour from offline to online.

The Group has a direction to enlarge the proportion of its business transactions from Direct merchandise to Merchant concessionaire so as to enrich its product spectrum. The Group expects the widened product offerings will be able to attract more customers to switch their purchases on every aspect of life from offline to online. In this regard, the Group needs to accelerate the O2O conversion process of retailers so as to enrich the product offerings by merchants at HKTVmall.

- Effective from the beginning of 2020, HKTVmall has streamlined the merchant recruitment and management process. The Group introduced a new merchant commission scheme in 2020 setting "Standardised Commission Rate" by Product Category and added a merchant annual fee to facilitate their digital advertising and analytics capability at HKTVmall.

- The Group also introduced more aggressive merchant acquisition and conversion programs, such as the "Thankful Festival O2O Partnership Trial Program" aiming for recruiting branded retailers at tier one shopping malls in Hong Kong to open online stores during the upcoming "May Thankful Festival". The purpose of this program is to enable the branded offline retailers to have hands-on experience for online conversion.

- Furthermore, the Group is working to "change" the operating mode of the merchants towards operating "363 days" so as to shorten the order delivery lead time.

The Group considers if the retail participants can make use of this "Change" window to accelerate the O2O conversion, the expanded product spectrum, extended digital reach at HKTVmall as well as the speed up in order delivery shall bring incremental benefits to our customers and also the retail market in Hong Kong over time.

Though the overall atmosphere in Hong Kong is affected by the COVID-19 outbreak, there are a few pieces of encouraging events at HKTVmall that are rewarding to everyone working hard on our eCommerce journey. In February 2020, YouGov BrandIndex announced that HKTVmall was ranked number 1 in the 2019 Top Brand Buzz in Hong Kong[12]!

Moreover, at HKTVmall, as a result of the increased "home" time and less desire of the Hong Kong people to go to crowded areas, the unaudited operating and financial performance has improved in the first few months of 2020. The GMV on order intake has reached a record high in January 2020 at HK$338.0 million and further drove up to HK$482.4 million in February 2020 with an average daily order number of 32,600. We see the growth momentum is continuing in March 2020 — for the period from 1–20 March 2020, the GMV on order intake reached HK$324.6 million, representing about 67.3% of February's GMV on order intake.

[12] Source: http://www.brandindex.com/ranking/hong-kong/2019-buzz

The positive operational and financial performance in the first few months of 2020, the increased confidence in merchant and consumer O2O conversion as well as the brand recognition of HKTVmall in the local market bring us the courage and faith for the eCommerce journey ahead. Nevertheless, the Group understands that the risks brought on by the COVID-19 outbreak globally on the economy as well as on the individual disposable income level is increasing and highly uncertain, and it is inevitable for Hong Kong to face the similar risks and challenges. In this regard, given the uncertainty on the business growth sustainability, the Board did not make any upward revision on its announced 2020 GMV on order intake target of HK$3.4 billion.

The Group will closely monitor the business development and resources allocation to cope with the change in business activities and the challenges from the economy.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

1. On 11 February 2020, the Company entered into a placing agreement ("Placing Agreement") with Top Group International Limited (the "Vendor") and UBS AG Hong Kong Branch (the "placing agent") and a subscription agreement ("Subscription Agreement) with the Vendor, pursuant to which the placing agent agreed to place, on a fully underwritten basis, 90,000,000 existing shares to not less than six placees at HK$5.15 per share (the "Placing"), and the Vendor agreed to subscribe for 90,000,000 new shares of the Company at HK$5.15 per share (the "Subscription").

   The Placing and the Subscription were completed on 14 February 2020 and 24 February 2020 respectively, in accordance with the terms and conditions of the Placing Agreement and the Subscription Agreement. The net proceeds from the Subscription amounted to approximately HK$453.1 million (net of expenses relating to the Subscription).

2. After the recent outbreak of COVID-19, a series of precautionary and control measures have been implemented across the globe. The Group has been closely monitoring the development of the COVID-19 outbreak. As of the date of approval of the financial statements, the Group was not aware of any material adverse impact to its financial position and results. The actual impacts may differ from these estimates as the situation continues to evolve and when further information may become available.

TALENT REMUNERATION

Including the Directors, as at 31 December 2019, the Company had 1,238 permanent full-time Talents versus 1,036 as of 31 December 2018. 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 and life 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 18,700 per day as of December 2019. 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 corporate 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 and 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" 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 2019 to 31 December 2019 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.

Environmental, Social and Governance Report

Diversified System for Recruitment and Retention

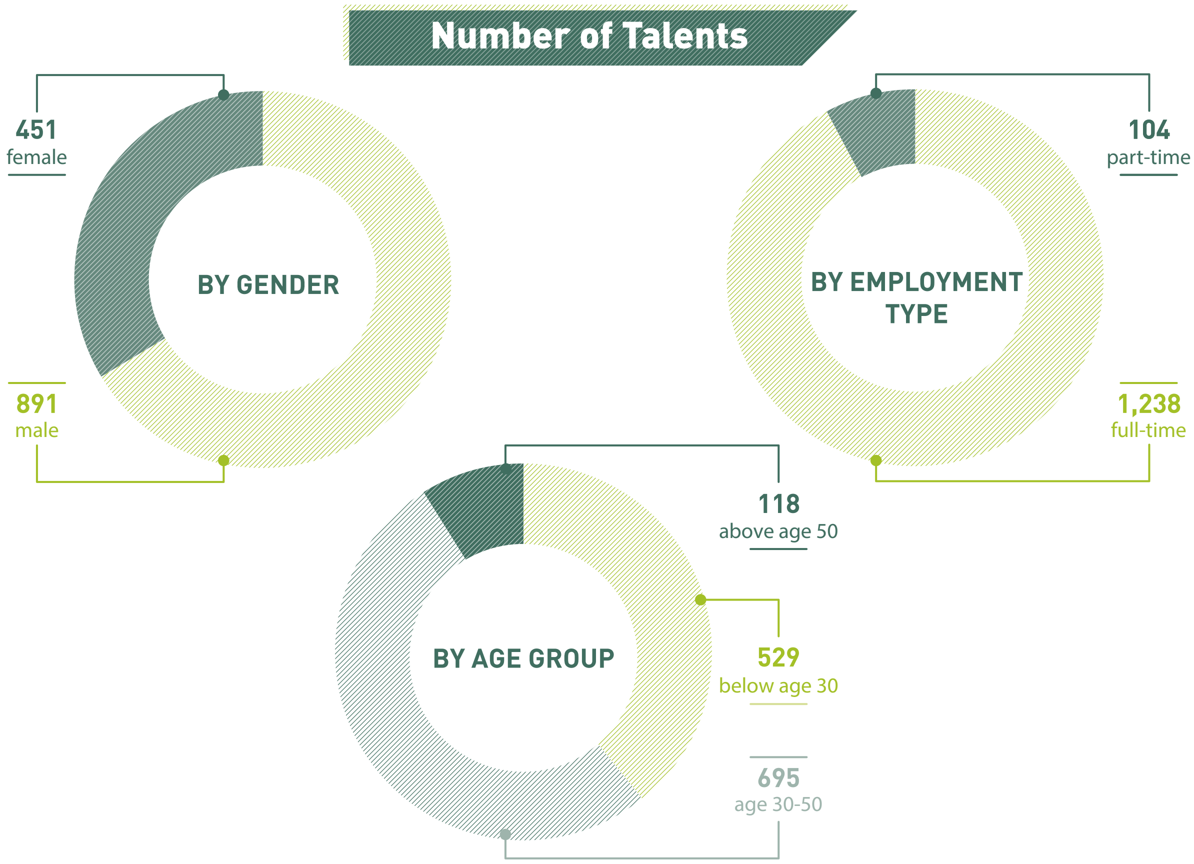
A diversified system for recruitment is adopted by the Group which includes recruitment in schools, external recruitment from the public and internal referrals. In addition to placing advertisements on recruitment portals, the Group also recruits its Talents by various ways such as its Internship Program, 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, maternity leave and paternity 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 Barbecue Day in the Christmas season to share the festival and holiday joy with family members, Pets Day to extend the care to the little family members, yoga classes, annual table tennis championship, gaming competition and arm wrestling tournament 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.

At the end of the reporting period, the Group had a total of 1,342 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 2.05%. There has been no report of work-related death.

Environmental, Social and Governance Report

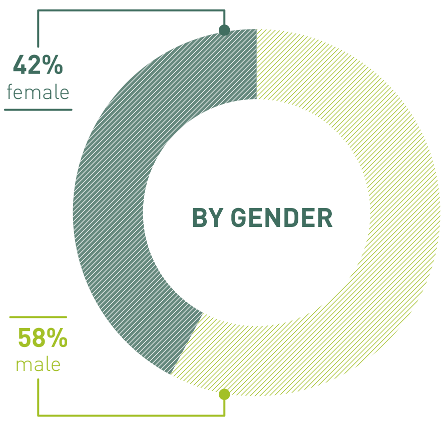
Development and Training

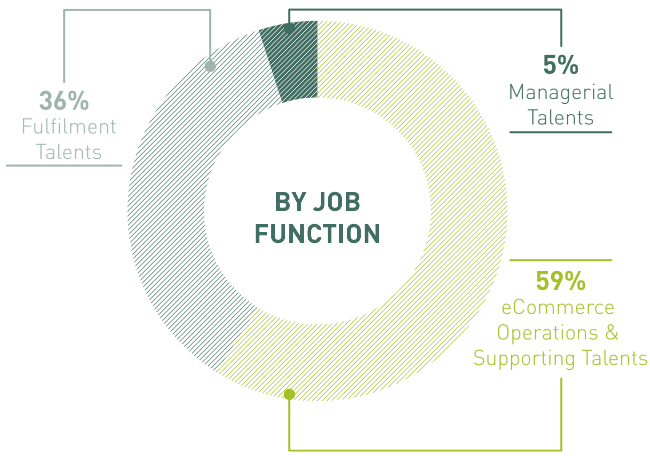
The Group has offered a promising development for its Talents. A multitude of development opportunities in response to different job characteristics are provided to Talents to enhance their career paths and in turn raise the team spirit for a department and optimise the skills of Talents. The Group conducts 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 product safety, financial knowledge, 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.

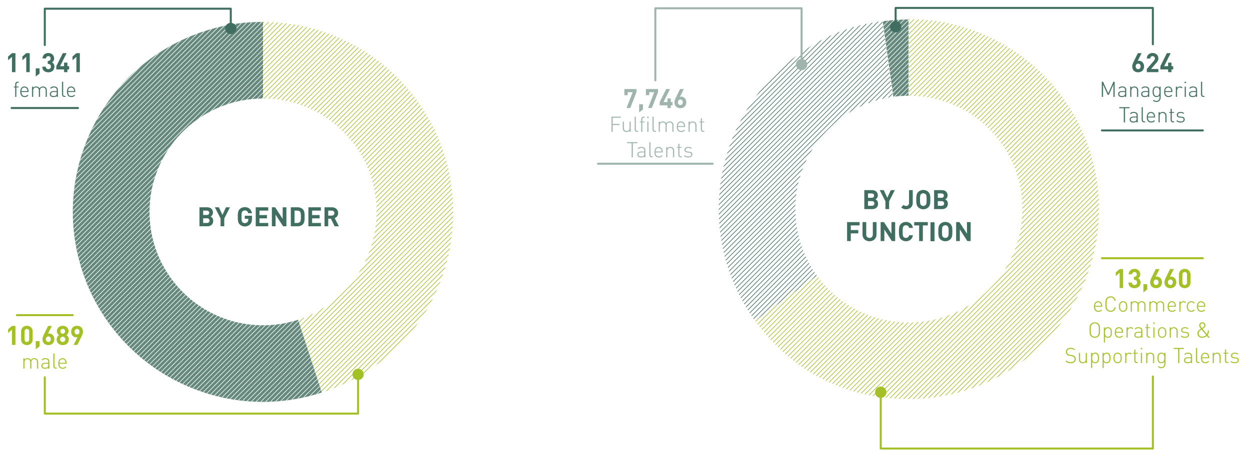
The following shows the statistics relating to the Talent training of the Group during the reporting period:

Approximate Percentage to the Total Number of Trained Talents





Hours of Talent Training



ENVIRONMENTAL

The Group recognises its corporate responsibility to promote environmental sustainability. We are working to integrate various environmentally-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 in multimedia including operating 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 logistics centre and delivery fleet in Tsing Yi, Kwai Chung, Tuen Mun and Tseung Kwan O. O2O shops are established across various districts, which mainly confined the environmental effect to emitting GHG emission and air pollutants arising from the use of electricity, motor gasoline and diesel 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 daily, including refrigerated trucks and outsourced vehicles. In order to reduce gas emissions, 99.6% of our owned vehicles meet the Euro V or Euro VI emissions standards, 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.

Environmental, Social and Governance 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$2,707.8 million versus HK$1,834.1 million in 2018. Though there was a 47.6% increase, the Group managed to fulfill the orders on a more efficient basis with emissions increased on a reducing basis.

	2019	2018
Total GHG emissions (in kilograms of Co2 equivalent) comprising of:	**8,353,330**	7,278,122
— Direct GHG emissions (Scope 1)	**2,643,593 (Note 1)**	—
— Energy indirect GHG emissions (Scope 2)	**5,709,737 (Note 2)**	—
Total GHG intensity (in kilograms of Co2 equivalent/ $ million GMV on completed orders)	**3,085**	3,968

Notes:

1. The Group's direct GHG emissions (Scope 1) mainly arises from motor gasoline and diesel consumption of the Group's owned vehicles used in the course of its operations.

2. The Group's energy indirect GHG emissions (Scope 2) mainly arises from its purchased electricity consumption used in the course of its operations.

The Group conducts its main business in multimedia including operating eCommerce platform and therefore there are no emissions or pollutants from production and no hazardous waste to the environment are produced. The resources used in the course of operations, such as consumption of purchased electricity, water, motor gasoline and diesel do, however, 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 of the Group during the year due to its business operations are as follows:

	2019	2018
Purchased electricity consumption (in kilowatt hours)	**8,156,767**	5,438,610
Purchased electricity consumption intensity (in kilowatt hours/ $ million GMV on completed orders)	**3,012**	2,965
Motor gasoline and diesel consumption of owned vehicles (in litres)	**953,845**	785,404
Motor gasoline and diesel consumption of owned vehicles intensity (in litres/ $ million GMV on completed orders)	**352**	428
Water consumption (in cubic metres)	**13,162**	15,809
Water consumption intensity (in cubic metres/ $ million GMV on completed orders)	**5**	9

The Group has used simple packaging whilst ensuring the products are properly secure, so as to avoid the wastage of resources caused by over-packaging. Packaging materials included in this report include paper shopping bags, labels, paper boxes, plastic shopping bags, packing tape and packaging bubbles. 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.

	2019	2018
Packaging materials used (in kilograms)	**416,263 (Note)**	179,590
Packaging materials used (in kilograms/$ million GMV on completed orders)	**154**	98
Advertising materials used (in kilograms)	**22,487**	86,000
Advertising materials used (in kilograms/$ million GMV on completed orders)	**8**	47
Paper used, excluding packaging and advertising materials (in kilograms)	**19,150**	22,000
Paper used, excluding packaging and advertising materials (in kilograms/$ million GMV on completed orders)	**7**	12

Note: Packaging materials used in 2019 includes packing tape (amounting to 270,000 kilograms) which was not included in the calculation for packaging materials used in 2018.

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 and diesel efficient routes from time-to-time;

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

Environmental, Social and Governance Report

- Packaging materials with different sizes are prepared in advance for packaging teams to avoid excessive wastage caused by oversized packaging;
- Unwrapped cardboards and used bundling plastic materials are sent to the recycling companies for recycling instead of disposing as general waste; and
- Automated picking and warehousing system at the logistics centre of Tsing Yi and Tseung Kwan O launched in March 2018 and March 2019, respectively, which primarily makes use of reusable plastic containers as compared with carton boxes previously used in manual pick packing at the relevant logistics centre.

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 2019, as far as the Group is aware, there was 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 3,200 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 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:	41,592,273
Products recalled:	1,077
Percentage:	0.003%

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 Talents 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.

Environmental, Social and Governance Report

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 department 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 was 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 past two years, 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. CHEUNG Chi Kin, Paul

Chairman

aged 62, is the co-founder of the Group and has been the Chairman of the Group since 1 January 2020. Prior to that, Mr. Cheung was the 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 direction 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 Vice Chairman, Chief Executive Officer and an Executive Director of the Group.

Mr. WONG Wai Kay, Ricky

Vice Chairman & Chief Executive Officer

aged 58, is the co-founder of the Group and has been the Vice Chairman and Chief Executive Officer of the Group since 1 January 2020. Mr. Wong had been the Chairman of the Group until 31 December 2019. He is also a director of certain subsidiaries of the Group. Mr. Wong is primarily responsible for overall strategic planning and management of the Group and, in the meantime, he is also responsible for the day-to-day management as well as the coordination of the overall business operations of the Group. Mr. Wong has extensive experience of over 30 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 Chairman and an Executive Director of the Group. Currently, Mr. Wong is a member of the Board of Trustees of United College, The Chinese University of Hong Kong.

Ms. WONG Nga Lai, Alice

Chief Financial Officer & Company Secretary

aged 45, 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 the finance, treasury, procurement, administration, talent management, legal and company secretary and investor engagement functions of the Group. 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. Ms. Wong is a qualified member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Association of Chartered Certified Accountants (ACCA). Ms. Wong has been a member of the Student Affairs Sub-committee of ACCA Hong Kong since 2010 and a member of the Accountancy Training Board for Vocational Training Council since April 2019. Before joining the Group, Ms. Wong had worked for PricewaterhouseCoopers in Hong Kong primarily focusing on the technology, info-communications and entertainment sectors.

Profile of Directors and Senior Management

Mr. LAU Chi Kong

Chief Operating Officer

aged 38, 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

Managing Director of Shopping and eCommerce

aged 38, 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 platform, namely HKTVmall. Ms. Zhou joined the Group in 2003 as a management trainee. Prior to her current role, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEE Hon Ying, John

aged 73, has been an Independent Non-executive Director of the Group since June 1997. He 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. Lee 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 a member of the Parish Council of St. Anthony's Church in Hong Kong.

Mr. MAK Wing Sum, Alvin

aged 67, 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, Lai Fung Holdings Limited and Luk Fook Holdings (International) Limited, all listed on the Stock Exchange. Mr. Mak had been an independent non-executive director of I.T Limited (a company listed on the Stock Exchange) until 2 December 2019. 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.

Profile of Directors and Senior Management

Mr. PEH Jefferson Tun Lu

aged 60, has been an Independent Non-executive Director of the Group since September 2004. He 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. Peh 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.

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 2019.

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 Listing Rules as its corporate governance code of practices.

Throughout the year ended 31 December 2019, 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 2019 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 2019 and up to the date of this report is as follows:

Executive Directors

Mr. Cheung Chi Kin, Paul
(appointed as Chairman and resigned as Chief Executive Officer with effect from 1 January 2020)
Mr. Wong Wai Kay, Ricky
(re-designated as Vice Chairman and appointed as Chief Executive Officer with effect from 1 January 2020)
Ms. Wong Nga Lai, Alice *(Chief Financial Officer)*
Mr. Lau Chi Kong *(Chief Operating Officer)*
Ms. Zhou Huijing *(Managing Director of Shopping and eCommerce)*

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. Cheung Chi Kin, Paul is a first cousin of Mr. Wong Wai Kay, Ricky. 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 39 to 41 of this annual report.

Corporate Governance Report

THE BOARD (continued)

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

The Company follows formal procedures for the appointment of new Directors based on the Company's nomination policy. 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 of the Company 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 Cheung Chi Kin, Paul, Ms. Wong Nga Lai, Alice and Mr. Lau Chi Kong will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

(iv) Chairman and Chief Executive Officer

Mr. Cheung Chi Kin, Paul was appointed as Chairman and resigned as Chief Executive Officer with effect from 1 January 2020, and is primarily responsible for leadership of the Board and overall strategic planning and direction of the Group. Mr. Wong Wai Kay, Ricky was re-designated as Vice Chairman and appointed as Chief Executive Officer with effect from 1 January 2020, and is primarily responsible for overall strategic planning and management of the Group and, in the meantime, he is also responsible for the day-to-day management as well as the coordination of the overall business operations of the Group. 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.

THE BOARD (continued)

(vi) Number of Meetings and Directors' Attendance

The Board meets from time to time, and on no less than four times a year, to discuss and exchange ideas on the Company's affairs. During the year ended 31 December 2019, 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. Cheung Chi Kin, Paul	4/4
Mr. Wong Wai Kay, Ricky	4/4
Ms. Wong Nga Lai, Alice	4/4
Mr. Lau Chi Kong	4/4
Ms. Zhou Huijing	4/4
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.

(viii) Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") in August 2013 to comply with the code provisions of the CG Code. The Board Diversity 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 25 March 2020, 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.

Corporate Governance Report

THE BOARD (continued)

(ix) Training and Support for Directors

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

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

Directors	**Training on corporate governance, legal and regulatory requirements and other relevant topics**
Executive Directors	
Mr. Cheung Chi Kin, Paul	✓
Mr. Wong Wai Kay, Ricky	✓
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"). All 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 2019. 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 2018 and for the six months ended 30 June 2019;

(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 2018 and the Company's interim financial report for the six months ended 30 June 2019; 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 procedure for appointment of Directors and criteria for selection are set out in the nomination policy of the Company. Under the nomination policy of the Company, the nomination of Directors is based on meritocracy and the Board Diversity Policy to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs.

BOARD COMMITTEES (continued)

(ii) Nomination Committee (continued)

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

- reviewed the structure, size and composition of the Board and made recommendations to the Board;
- reviewed the independence of Independent Non-executive Directors;
- 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 appropriate to meet the requirements of the business of the Company.

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

Attendance of individual members at Nomination Committee meeting

Name of Directors	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 2019 is set out in Note 10 to the financial statements.

Corporate Governance Report

BOARD COMMITTEES (continued)

(iii) Remuneration Committee (continued)

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 for the Executive Directors; and

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

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

Attendance of individual members at Remuneration Committee meeting

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

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 2019. 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 2019 is set out in the "Independent Auditor's Report" on pages 64 to 69 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 2019 Annual General Meeting.

For the year ended 31 December 2019, the total fee paid to the Company's external auditor, KPMG, in relation to audit related services of the Group amounted to approximately HK$2,415,000. Details are set out below:

Type of Services	FY2019 HK$'000	FY2018 HK$'000
Audit and audit related services	**2,415**	2,342
Non-audit services	**—**	—
Total	**2,415**	2,342

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 39 to 41 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 periodically reviewed Company policies and procedures, Code of business conduct, Corruption and 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 2019, 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.

COMMUNICATION WITH SHAREHOLDERS (continued)

General Meetings with Shareholders

The annual general meeting (the "AGM") held by the Company on 4 June 2019 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.

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. Cheung Chi Kin, Paul	1/1
Mr. Wong Wai Kay, Ricky	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

Dividend Policy

The Board's dividend policy aims to allow the shareholders of the Company to participate in the Company's profits while allowing the Company to retain sufficient capital and reserves for sustainable growth. The proposal of payment and determination of amount of any dividend is made at the discretion of the Board, taking into account factors including the Company's prevailing and expected results of operations and profitability, liquidity position, capital requirements, market condition, as well as business objectives and investment opportunities. The Board will review the dividend policy based on the Group's upcoming investment opportunities and development plans from time to time.

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.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (continued)

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 2019, 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 consolidated financial statements for the year ended 31 December 2019.

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 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 2019 is set out in the sections headed "Chairman's Statement" and "Management's Discussion and Analysis" from pages 11 to 13 and pages 14 to 27 of this annual report respectively. Description of the principal risks and uncertainties facing the Group is set out in the section "Principal Risks and Uncertainties" on pages 24 to 25 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 14 to 27 and "Environmental, Social and Governance Report" from pages 28 to 38 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 28 to 38 of this annual report.

Report of the Directors

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2019 and the financial position of the Company and the Group as at that date are set out in the financial statements from pages 70 to 142 of this annual report.

ANALYSIS ON FINANCIAL PERFORMANCE

An analysis of the Group's performance during the year ended 31 December 2019 is set out in the sections headed "Operational Highlights", "Financial Highlights" and "Management's Discussion and Analysis" on page 2, page 3 and from pages 14 to 27 of this annual report.

DIVIDENDS

No interim dividend was declared during the year ended 31 December 2019 and 2018.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2019. No final dividend was declared for the year ended 31 December 2018.

Details of the Company's dividend policy are set out in the section headed "Communication with Shareholders" on page 53 of this annual report.

DONATIONS

For the year ended 31 December 2019 and 2018, 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 22 to the financial statements. Shares were issued during the year on the exercise of share options. Details on the issuance of shares are also set out in note 22 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" as set out on pages 59 to 61 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 2019, calculated in accordance with the provision of Part 6 of Companies Ordinances (Cap. 622) of the laws of Hong Kong, amounted to approximately HK$1,829,183,000 (2018: HK$1,831,303,000).

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 143 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 2019.

GROUP'S BORROWINGS

The Group's borrowings as at 31 December 2019 are repayable in the following periods:

	2019 HK$'000	2018 HK$'000
On demand or not exceeding one year	**315,015**	79,392

DIRECTORS

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

Executive Directors

Mr. Cheung Chi Kin, Paul
(appointed as Chairman and resigned as Chief Executive Officer with effect from 1 January 2020)
Mr. Wong Wai Kay, Ricky
(re-designated as Vice Chairman and appointed as Chief Executive Officer with effect from 1 January 2020)
Ms. Wong Nga Lai, Alice *(Chief Financial Officer)*
Mr. Lau Chi Kong *(Chief Operating Officer)*
Ms. Zhou Huijing *(Managing Director of Shopping and eCommerce)*

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 Cheung Chi Kin, Paul, Ms. Wong Nga Lai, Alice and Mr. Lau Chi Kong 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 39 to 41 of this annual report.

Report of the Directors

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B (1) of the Listing Rules, changes 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 2019 are set out in note 10 to the financial statements.

2. The monthly base salary of Mr. Cheung Chi Kin, Paul has been adjusted from HK$500,000 to HK$85,000 with effect from 1 January 2020.

3. The monthly base salary of Ms. Wong Nga Lai, Alice will be increased from HK$162,800 to HK$200,000 with effect from 1 April 2020.

4. The monthly base salary of Mr. Lau Chi Kong will be increased from HK$162,800 to HK$200,000 with effect from 1 April 2020.

5. The monthly base salary of Ms. Zhou Huijing has been increased from HK$74,888 to HK$100,000 with effect from 1 January 2020.

6. Mr. Mak Wing Sum, Alvin resigned as an independent non-executive director of I.T Limited with effect from 2 December 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 2019, the interests or short positions of the Company's Directors, chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in ordinary shares and underlying shares of the Company

	Interest in shares						
Name of 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. Cheung Chi Kin, Paul	26,453,424	24,924,339 Note (2)(i)	–	51,377,763	9,000,000	60,377,763	7.36%
Mr. Wong Wai Kay, Ricky	–	355,051,177 Note (2)(ii)	–	355,051,177	10,000,000	365,051,177	44.48%
Ms. Wong Nga Lai, Alice	50,000	–	–	50,000	1,000,000	1,050,000	0.13%
Mr. Lau Chi Kong	–	–	–	–	1,000,000	1,000,000	0.12%
Ms. Zhou Huijing	–	–	–	–	500,000	500,000	0.06%

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long position in ordinary shares and underlying shares of the Company (continued)

Notes:

(1) This percentage is based on 820,733,643 ordinary shares of the Company issued as at 31 December 2019.

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

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

(ii) 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.

Save as disclosed above, as at 31 December 2019, 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 20,903,564 shares, representing approximately 2.55% of the issued shares of the Company as at 31 December 2019.

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.

Report of the Directors

SHARE OPTION SCHEME (continued)

(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.

SHARE OPTION SCHEME (continued)

(10) Details of the share options granted under the 2012 Share Option Scheme as at 31 December 2019 are as follows:

Participants	Date of grant	Exercise price per share HK$	Balance as at 1 January 2019	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Balance as at 31 December 2019	Vesting period	Exercise period
Directors									
Mr. Cheung Chi Kin, Paul	26 May 2017	1.464	9,000,000	–	–	–	9,000,000	26 May 2017 to 28 February 2018	1 March 2018 to 22 March 2027
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
Ms. Wong Nga Lai, Alice	23 March 2017	1.464	1,500,000	–	500,000	–	1,000,000	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	–	500,000	–	1,000,000	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	–	500,000	–	500,000	(Note 1)	(Note 1)
Talents under continuous employment contracts									
Talents	21 February 2017	1.450	1,900,000	–	1,507,000	–	393,000	(Note 1)	(Note 1)
	21 February 2017	1.450	555,000	–	555,000	–	–	(Note 2)	(Note 2)
	21 February 2017	1.450	6,685,000	–	2,955,000	100,000 (Note 3)	3,630,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
	27 December 2019	3.420	–	11,269,150	–	–	11,269,150	27 December 2019 to 31 December 2020	1 January 2021 to 26 December 2029
		3.420	–	11,269,150	–	–	11,269,150	27 December 2019 to 31 December 2021	1 January 2022 to 26 December 2029
Total			32,140,000	22,538,300	6,517,000	100,000	48,061,300		

Notes:

1. 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.

2. The exercise of the share options is subject to certain conditions that must be achieved by the grantees. 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.

3. The options lapsed during the year under review upon resignation of certain eligible Talents.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" as set out on pages 59 to 61 of this annual report, at no time during the year ended 31 December 2019 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 2019, 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	43.26%

Note: This percentage is based on 820,733,643 ordinary shares of the Company issued as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, 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 2019.

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 2019, 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 42 to 54 of this annual report.

RETIREMENT SCHEME

Throughout the year ended 31 December 2019, the Group operated a mandatory provident fund scheme. Particulars of the mandatory provident fund scheme 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
Cheung Chi Kin, Paul
Chairman

Hong Kong, 26 March 2020

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Hong Kong Television Network Limited ("the Company") and its subsidiaries ("the Group") set out on pages 70 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 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 eCommerce business

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

The Key Audit Matter

As at 31 December 2019, management identified indicators of impairment of the Group's eCommerce business which has sustained operating losses since its commencement in 2015.

As at 31 December 2019, the carrying amount of non-current assets relating to the eCommerce business ("the eCommerce assets"), which principally comprised ownership interests in leasehold land and buildings, construction in progress, other property, plant and equipment, the indefeasible right of use of telecommunications capacity, the right to use of telecommunications services and goodwill, totalled HK$1,225.1 million.

Management performed an impairment assessment of the eCommerce 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 eCommerce business as a key audit matter because the impairment assessment prepared by management contains certain judgemental assumptions, which may be inherently uncertain and which could be subject to management bias in their selection.

How the matter was addressed in our audit

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

- evaluating management's identification of the eCommerce 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 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 eCommerce business as well as with those of comparable companies and other available external market data, taking into account recent developments in the eCommerce industry and the Group's future operating plans;
- engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cash flow forecast was within the range adopted by other companies in the same industry;
- comparing the revenue, cost of sales and other operating expenses included in the discounted cash flow forecast prepared in the prior year with the current year's performance to assess the reliability of management's budgeting and forecasting processes and making enquiries of management as to the reasons for any significant variations identified; and
- obtaining from management sensitivity analyses of the key assumptions adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions, including the revenue growth rate, the net profit margin and the discount rate applied, to the conclusions reached in the impairment assessment and considering whether there were any indicators of management bias in their selection.

Independent Auditor's Report

Revenue recognition from the eCommerce 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 eCommerce income, which totalled HK$1,403.8 million for the year ended 31 December 2019, 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 online payment processing service providers. eCommerce income comprises a high volume of individually low value transactions. Revenue is recognised when the customer has taken possession of and accepted 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 eCommerce business is highly reliant on the information technology systems. We identified the recognition of revenue from the eCommerce 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 eCommerce 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 online 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.

Independent Auditor's Report

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 Ho Wai Ming.

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

26 March 2020

Consolidated Income Statement

For the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	**Year ended 31 December 2019 HK$'000**	Year ended 31 December 2018 (Note) HK$'000
Turnover	2	**1,413,958**	896,374
Direct merchandise sales	2	**1,101,005**	685,889
Cost of inventories		**(853,258)**	(538,752)
		247,747	147,137
Income from concessionaire sales and other service income	2	**302,770**	197,358
Net advertising income and licensing of programme rights	2	**10,183**	13,127
Valuation gains on investment properties	12	**750**	43,550
Other operating expenses	4(a)	**(893,285)**	(737,567)
Gain on disposal of a subsidiary	26	**—**	161,645
Other income, net	3	**54,377**	46,913
Finance costs	4(b)	**(12,509)**	(4,921)
Loss before taxation		**(289,967)**	(132,758)
Income tax credit/(expense)	5	**54**	(337)
Loss for the year		**(289,913)**	(133,095)
Basic and diluted loss per ordinary share	8	**HK$ (0.35)**	HK$ (0.16)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 76 to 142 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 (Note) HK$'000
Loss for the year		**(289,913)**	(133,095)
Other comprehensive income for the year	7		
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)		**4,173**	(9,403)
		4,173	(9,403)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of an overseas subsidiary		**(7)**	(43)
Debt securities measured at fair value through other comprehensive income			
— net movement in fair value reserve (recycling)		**19,389**	(26,445)
		19,382	(26,488)
Other comprehensive income for the year		**23,555**	(35,891)
Total comprehensive income for the year		**(266,358)**	(168,986)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

Consolidated Statement of Financial Position

As at 31 December 2019 (Expressed in Hong Kong dollars)

	Note	31 December 2019 HK$'000	31 December 2018 (Note) HK$'000
Non-current assets			
Property, plant and equipment	12	**1,409,816**	1,115,347
Intangible assets	13	**72,826**	87,653
Goodwill		**897**	897
Long-term receivables, deposits and prepayments		**24,658**	5,444
Other financial assets	16	**472,284**	656,634
		1,980,481	1,865,975
Current assets			
Other receivables, deposits and prepayments	17	**90,121**	71,449
Inventories	15	**95,763**	54,322
Other current financial assets	16	**83,268**	25,295
Pledged bank deposit	30	**3,905**	3,905
Cash at bank and in hand	18	**149,713**	105,901
		422,770	260,872
Current liabilities			
Accounts payable	19	**168,718**	146,493
Other payables and accrued charges	19	**177,799**	185,337
Deposits received		**5,757**	5,757
Bank loans	20	**315,015**	79,392
Tax payable		**237**	—
Lease liabilities	21	**86,358**	—
		753,884	416,979
Net current liabilities		**(331,114)**	(156,107)
Total assets less current liabilities		**1,649,367**	1,709,868

Consolidated Statement of Financial Position

As at 31 December 2019 (Expressed in Hong Kong dollars)

	Note	31 December 2019 HK$'000	31 December 2018 (Note) HK$'000
Non-current liabilities			
Deferred tax liabilities	23	**1,188**	1,479
Lease liabilities	21	**196,571**	—
		197,759	1,479
NET ASSETS		**1,451,608**	1,708,389
CAPITAL AND RESERVES			
Share capital	22(b)	**1,293,392**	1,280,191
Reserves		**158,216**	428,198
TOTAL EQUITY		**1,451,608**	1,708,389

Approved and authorised for issue by the board of directors on 26 March 2020.

Cheung Chi Kin, Paul
Director

Wong Wai Kay, Ricky
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 76 to 142 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital	Retained profits/ (accumulated losses) (Note)	Revaluation reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Exchange reserve	Capital reserve	Other reserve	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 fair value through other comprehensive income to retained profits		–	(100)	–	–	100	–	–	–	–
Shares issued under share option scheme	22(c)	11,277	–	–	–	–	–	(3,723)	–	7,554
Equity-settled share-based transactions	4(c)	–	–	–	–	–	–	7,189	–	7,189
Balance at 31 December 2018 and 1 January 2019		1,280,191	229,834	183,338	(13,890)	(1,463)	(66)	32,271	(1,826)	1,708,389
Changes in equity for 2019:										
Loss for the year		–	(289,913)	–	–	–	–	–	–	(289,913)
Other comprehensive income	7	–	–	–	19,389	4,173	(7)	–	–	23,555
Total comprehensive income		–	(289,913)	–	19,389	4,173	(7)	–	–	(266,358)
Shares issued under share option scheme	22(c)	13,201	–	–	–	–	–	(3,744)	–	9,457
Share options forfeited reclassified to retained profits	11	–	58	–	–	–	–	(58)	–	–
Equity-settled share-based transactions	4(c)	–	–	–	–	–	–	120	–	120
Balance at 31 December 2019		1,293,392	(60,021)	183,338	5,499	2,710	(73)	28,589	(1,826)	1,451,608

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 76 to 142 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 (Note) HK$'000
Net cash used in operating activities	24(a)	**(172,386)**	(234,829)
Investing activities			
Payment for the purchase of other financial assets		**(3,446)**	(90,780)
Proceeds received from disposal of other financial assets		**121,107**	32,199
Proceeds received from maturity of debt securities		**23,516**	201,153
Interest received		**33,449**	39,082
Dividend received		**5,457**	6,290
Payment for the purchase of property, plant and equipment		**(139,942)**	(140,106)
Proceeds received from disposal of a subsidiary	26	**—**	329,219
Proceeds received from disposal of property, plant and equipment		**50**	1,226
Net cash generated from investing activities		**40,191**	378,283
Financing activities			
Capital element of lease rentals paid	24(b)	**(57,727)**	—
Interest element of lease rentals paid	24(b)	**(7,119)**	—
Proceeds from new bank loans	24(b)	**2,468,447**	1,933,823
Repayments of bank loans	24(b)	**(2,232,824)**	(2,074,054)
Proceeds from shares issued under share option scheme	22(c)	**9,457**	7,554
Interest paid on bank loans	24(b)	**(4,199)**	(5,030)
Net cash generated from/(used in) financing activities		**176,035**	(137,707)
Net increase in cash and cash equivalents		**43,840**	5,747
Cash and cash equivalents at 1 January		**105,901**	100,199
Effect of foreign exchange rate changes		**(28)**	(45)
Cash and cash equivalents at 31 December	18	**149,713**	105,901

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 76 to 142 form part of these financial statements.

Notes to the 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. 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 2019 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 value 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 29.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK (IFRIC) 4, *Determining whether an arrangement contains a lease*, HK (SIC) 15, *Operating leases — incentives*, and HK (SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 which remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there is no net effect on the opening balance of equity as at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, *Leases* (continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to properties as disclosed in note 27(b). For an explanation of how the Group applies lessee accounting, see note 1(j)(i).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.1%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to certain leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 27(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK$'000
Operating lease commitments at 31 December 2018	**157,834**
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(1,922)**
— lease contracts entered before 31 December 2018 and the leases not yet commenced on 31 December 2018	**(21,631)**
	134,281
Less: total future interest expenses	**(6,574)**
Total lease liabilities recognised at 1 January 2019	**127,707**

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, *Leases* (continued)

b. *Lessee accounting and transitional impact* (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1 January 2019 HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	1,115,347	124,056	1,239,403
Total non-current assets	**1,865,975**	**124,056**	**1,990,031**
Other payables and accrued charges	(185,337)	3,651	(181,686)
Lease liabilities (current)	—	(41,580)	(41,580)
Current liabilities	**(416,979)**	**(37,929)**	**(454,908)**
Net current liabilities	**(156,107)**	**(37,929)**	**(194,036)**
Total assets less current liabilities	**1,709,868**	**86,127**	**1,795,995**
Lease liabilities (non-current)	—	(86,127)	(86,127)
Total non-current liabilities	**(1,479)**	**(86,127)**	**(87,606)**
Net assets	**1,708,389**	**—**	**1,708,389**

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, *Leases* (continued)

c. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

d. Lessor accounting

The Group leases out a number of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(d) Subsidiaries

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).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Group accounting (continued)

(ii) 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 policies for investments in other financial assets, other than investments in subsidiaries, are set out below:

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 fair value through profit or loss ("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 25(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) 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)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments in other financial assets (continued)

(i) Investments other than equity investments (continued)

— Fair value through other comprehensive income ("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.

— Fair value through 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.

(ii) 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 irrevocable 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/accumulated losses. 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).

(g) Investment property

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).

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see note 1(j)(i)(B)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 1(j)(i)(B).

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 ownership interests in leasehold land and buildings, leasehold improvements or network, computer, office and warehouse equipment.

(ii) Other property, plant and equipment

Other property, plant and equipment, comprising interests in leasehold land and buildings where the Group is the registered owner of the property interest, right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest, leasehold improvements, furniture, fixtures and fittings, network, computer, office and warehouse equipment, motor vehicles, and broadcasting and production equipment, 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 is depreciated over the unexpired term of lease

— The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives of 50 years

— Other properties leased for own use are depreciated over the unexpired term of the leases

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

— Furniture, fixtures and fittings: 4 — 5 years

— Network, computer, office and warehouse equipment: 1.5 — 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

(ii) Other property, plant and equipment (continued)

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

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

(i) Intangible assets (other than goodwill)

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

— 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 years
— TVC and sponsorship spot	units of production

Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily photocopiers. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(k)(ii)), except for the following type of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was 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 could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired 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 were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation and impairment losses were 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 were 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.

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(u)(v).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

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.

Other financial assets measured at fair value, including units in investment funds and equity instruments designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Notes to the Financial Statements

(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)

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 and deposits: 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 (i) 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); or (ii) the financial asset is 90 days past due. 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.

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).

Notes to the Financial Statements

(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)

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 past due event;

— 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.

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, including right-of-use assets (other than property carried at fair value);

— 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.

Notes to the Financial Statements

(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)).

(n) Receivables

A receivable is 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.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in 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 cash equivalents for the purpose of the consolidated cash flow statement. Cash at bank and in hand and pledged bank deposit are assessed for expected credit losses in accordance with the policy set out in note 1(k)(i).

(p) Provisions and contingent liabilities

Provisions are recognised for 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 mandatory provident fund scheme which is available to certain Talents. Contributions to the scheme 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.

Notes to the Financial Statements

(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/accumulated losses).

(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.

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. 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.

(u) Revenue recognition

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

Revenue 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) eCommerce 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 of 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.

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

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

(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 (see note 1(k)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(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.

(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.

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

(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 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) 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Translation of foreign currencies (continued)

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.

(y) 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 (y)(a).

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

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

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

2 TURNOVER AND SEGMENT INFORMATION

Turnover

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

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

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by nature		
— Direct merchandise sales	**1,101,005**	685,889
— Income from concessionaire sales and other service income	**302,770**	197,358
— Net advertising income and licensing of programme rights	**10,183**	13,127
	1,413,958	896,374
Disaggregated by timing of revenue recognition		
— Point in time	**1,405,755**	893,658
— Over time	**8,203**	2,716
	1,413,958	896,374

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 OTHER INCOME, NET

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Bank interest income	**94**	457
Dividend and investment income from other financial assets	**5,457**	6,440
Interest income from other financial assets	**30,332**	35,079
(Loss)/gain on disposal of other financial assets	**(2,063)**	11
Unrealised fair value gain/(loss) on units in investment funds measured at FVPL	**378**	(12,573)
(Provision)/reversal of expected credit losses on debt securities measured at FVOCI	**(671)**	224
Rentals from investment properties	**23,774**	18,455
Net exchange loss	**(4,362)**	(2,932)
Others	**1,438**	1,752
	54,377	46,913

4 LOSS BEFORE TAXATION

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

		Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
(a)	**Other operating expenses**		
	Depreciation (note 12(a))		
	— owned property, plant and equipment*	**64,416**	67,464
	— right-of-use assets*	**91,472**	—
	Advertising and marketing expenses (excluding HK$27,822,000 (2018: HK$32,234,000) being deducted in turnover)	**66,045**	75,416
	Auditor's remuneration	**2,415**	2,342
	Total minimum lease payments for leases previously classified as operating lease under HKAS 17*	**—**	44,511
	Loss/(gain) on disposal of property, plant and equipment	**11**	(997)
	Write-down of inventories	**6,156**	2,601
	Talent costs (note 4(c))	**398,788**	293,709
	Amortisation of intangible assets (note 13)	**14,827**	24,016
	Reversal of provision for onerous contract	**(144)**	(3,156)
	Total outgoings of investment properties	**1,427**	1,492
	Others	**247,872**	230,169
		893,285	737,567

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

		2019 HK$'000	2018 HK$'000
(b)	**Finance costs**		
	Interest on bank loans (note 24(b))	**5,139**	4,718
	Interest on lease liabilities (note 24(b))#	**7,119**	—
	Bank charges	**251**	203
		12,509	4,921

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 LOSS BEFORE TAXATION (continued)

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
(c) Talent costs		
Wages and salaries	**382,088**	274,449
Retirement benefit costs — defined contribution plans (note 9)	**16,580**	12,071
Equity-settled share-based payment expenses (note 11)	**120**	7,189
Talent costs included in other operating expenses	**398,788**	293,709

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

5 INCOME TAX CREDIT/(EXPENSE)

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% for 2019.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements in 2018 as the Group has sustained a loss for taxation purpose for that year.

The amount of income tax credit/(expense) in the consolidated income statement represents:

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Current taxation		
Hong Kong Profits Tax	**(237)**	—
Deferred taxation		
Origination and reversal of temporary differences (note 23)	**291**	(337)
	54	(337)

5 INCOME TAX CREDIT/(EXPENSE) (continued)

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

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Loss before taxation	**(289,967)**	(132,758)
Notional tax on loss before taxation, calculated at the prevailing tax rates applicable to loss in the jurisdiction concerned	**47,964**	21,905
Effect of non-taxable income	**4,451**	40,785
Effect of non-deductible expenses	**(1,776)**	(5,342)
Effect of unused tax losses not recognised	**(51,034)**	(56,090)
Others	**449**	(1,595)
Income tax credit/(expense)	**54**	(337)

6 DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2019 (31 December 2018: nil).

Notes to the Financial Statements

(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 2019			Year ended 31 December 2018		
	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)	**4,173**	**—**	**4,173**	(9,403)	—	(9,403)
Exchange difference on translation of financial statements of an overseas subsidiary	**(7)**	**—**	**(7)**	(43)	—	(43)
Debt securities measured at FVOCI — net movement in fair value reserve (recycling)	**19,389**	**—**	**19,389**	(26,445)	—	(26,445)
Other comprehensive income	**23,555**	**—**	**23,555**	(35,891)	—	(35,891)

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

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling):		
— Changes in fair value recognised during the year	**4,173**	(9,403)
Debt securities measured at FVOCI — net movement in fair value reserve (recycling):		
— Changes in fair value recognised during the year	**16,505**	(26,210)
— Reclassified to profit or loss upon disposal	**2,213**	(11)
— Reclassified to profit or loss for provision/(reversal) of expected credit losses	**671**	(224)
	19,389	(26,445)

8 LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year ended 31 December 2019 of HK$289,913,000 (31 December 2018: HK$133,095,000) and the weighted average of 817,584,000 ordinary shares (31 December 2018: 812,165,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December 2019 '000	Year ended 31 December 2018 '000
Issued ordinary shares at 1 January	**814,217**	809,017
Effect of share options exercised	**3,367**	3,148
Weighted average number of ordinary shares at 31 December	**817,584**	812,165

The diluted loss per share for the years ended 31 December 2019 and 2018 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

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 Talents, on top of the MPF Scheme mandatory contributions, make a voluntary contribution to the extent that the Talents would contribute 5% of their monthly salaries, while the Group would contribute 10% of the Talents' monthly salaries.

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 2019 HK$'000	Year ended 31 December 2018 HK$'000
Gross contributions	**16,580**	12,071

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2019:

	Directors' fees HK$'000	Salaries, service fee, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Chairman					
Wong Wai Kay, Ricky	—	6,000	—	—	6,000
Executive directors					
Cheung Chi Kin, Paul	—	6,000	—	600	6,600
Wong Nga Lai, Alice	—	1,929	400	193	2,522
Lau Chi Kong	—	1,915	500	192	2,607
Zhou Huijing	—	2,416	400	89	2,905
Independent non-executive directors					
Lee Hon Ying, John	232	—	—	—	232
Peh Jefferson Tun Lu	218	—	—	—	218
Mak Wing Sum, Alvin	218	—	—	—	218
Total	668	18,260	1,300	1,074	21,302

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

(a) Directors' emoluments (continued)

For the year ended 31 December 2018:

	Directors' fees HK$'000	Salaries, service fee, allowances and benefits in kind HK$'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

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

(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.

Notes to the Financial Statements

(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 27 December 2019, the Company granted a total of 22,538,300 share options at exercise price of HK$3.42 per share to certain eligible Talents to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme. Such options were granted a 10-year term from the date of grant, among the 22,538,300 share options, the vesting date is as follows:

(i) 11,269,150 of which will vest on 1 January 2021; and

(ii) 11,269,150 of which will vest on 1 January 2022.

In determining the value of the share options granted during the year ended 31 December 2019, the Black-Scholes option pricing model (the "Black-Scholes Model") has been used. The Black-Scholes Model is one of the most generally accepted methodologies used to calculate the value of options. The variables of the Black-Scholes Model include expected life of the options, risk-free interest rate, expected volatility and expected dividend yield of the shares of the Company.

(Expressed in Hong Kong dollars unless otherwise indicated)

11 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

Measurement date	27 December 2019 (vest on 1 January 2021)	27 December 2019 (vest on 1 January 2022)
Variables		
— Expected life	2 years	1 year
— Risk-free rate	1.68%	1.68%
— Expected volatility	49.13%	53.81%
— Expected dividend yield	—	—

The above variables were determined as follows:

(i) The expected life is estimated to be 1 year to 2 years after the end of the respective vesting period.

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

(iii) The expected volatility represents the annualised standard deviation of the return on the daily share price of the Company over the period commensurate to the expected life of the options (taking into account the remaining contractual life of the option and the effect of the expected early exercise of the option). The fair value of the options granted during the year is estimated as below:

Date of grant	27 December 2019
Fair value per share option	HK$0.86

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Total equity-settled share-based payment expenses of HK$120,000 was recognised in the consolidated income statement (31 December 2018: HK$7,189,000), with the offset in capital reserve, for the years ended 31 December 2019 and 2018. Particulars and movements of share options during the year ended 31 December 2019 were as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	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**	**32,140,000**	1.46	37,340,000
Granted during the year	**3.42**	**22,538,300**	—	—
Exercised during the year	**1.45**	**(6,517,000)**	1.45	(5,200,000)
Forfeited during the year	**1.45**	**(100,000)**	—	—
Outstanding at the end of the year	**2.38**	**48,061,300**	1.46	32,140,000
Exercisable at the end of year	**1.46**	**25,523,000**	1.46	32,140,000

The options outstanding at 31 December 2019 had exercise prices ranging from HK$1.45 to HK$3.42 (2018: ranging from HK$1.45 to HK$1.46) and a weighted average remaining contractual life of 8.5 years (31 December 2018: 8.2 years).

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Construction in progress HK$'000	Investment properties HK$'000	Ownership interests in leasehold land and buildings HK$'000	Other properties leased for own use HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and fittings HK$'000	Network, computer, office and warehouse equipment HK$'000	Motor vehicles HK$'000	Broadcasting and production equipment HK$'000	Total HK$'000
Cost and valuation:										
At 31 December 2018	140,928	268,400	603,481	–	62,162	9,150	164,727	73,906	83,632	1,406,386
Impact on initial application of HKFRS 16 (note)	–	–	–	124,056	–	–	–	–	–	124,056
At 1 January 2019	140,928	268,400	603,481	124,056	62,162	9,150	164,727	73,906	83,632	1,530,442
Additions	15,031	–	338	217,136	20,011	492	48,788	23,816	–	325,612
Transfer from construction in progress to other assets	(140,928)	–	76,575	–	–	–	64,353	–	–	–
Disposals	–	–	–	–	(403)	(184)	(124)	(113)	(42)	(866)
Fair value adjustment	–	750	–	–	–	–	–	–	–	750
At 31 December 2019	15,031	269,150	680,394	341,192	81,770	9,458	277,744	97,609	83,590	1,855,938
Representing:										
Cost	15,031	–	680,394	341,192	81,770	9,458	277,744	97,609	83,590	1,586,788
Valuation – 2019	–	269,150	–	–	–	–	–	–	–	269,150
	15,031	269,150	680,394	341,192	81,770	9,458	277,744	97,609	83,590	1,855,938
Accumulated depreciation and impairment losses:										
At 1 January 2019	–	–	77,295	–	14,173	5,543	101,270	22,045	70,713	291,039
Charge for the year	–	–	21,044	70,428	11,512	1,650	31,817	15,391	4,046	155,888
Written back on disposals	–	–	–	–	(403)	(141)	(106)	(113)	(42)	(805)
At 31 December 2019	–	–	98,339	70,428	25,282	7,052	132,981	37,323	74,717	446,122
Net book value:										
At 31 December 2019	15,031	269,150	582,055	270,764	56,488	2,406	144,763	60,286	8,873	1,409,816

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

	Construction in progress HK$'000	Investment properties HK$'000	Ownership interests in leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and fittings HK$'000	Network, computer, office and warehouse equipment HK$'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 26)	–	(167,650)	–	–	–	–	–	–	(167,650)
Disposals	–	–	–	(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 disposals	–	–	–	–	(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

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) 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 2019	**269,150**	**—**	**269,150**	**—**
— 31 December 2018	268,400	—	268,400	—

During the years ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2019. 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 on a price per square feet basis using market data which is publicly available.

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	31 December 2019 HK$'000	1 January 2019 HK$'000
Ownership interests in leasehold land and buildings (including relevant construction in progress) held for own use, carried at depreciated cost, with remaining lease term between 10 and 30 years	(i)	**582,055**	602,761
Other properties leased for own use, carried at depreciated cost	(ii)	**270,764**	124,056
		852,819	726,817
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term between 10 and 30 years		**269,150**	268,400
		1,121,969	995,217

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 HK$'000	2018 (Note) HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**21,044**	18,460
Other properties leased for own use	**70,428**	—
	91,472	18,460
Interest on lease liabilities (note 4(b))	**7,119**	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**2,858**	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**—**	44,511

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Right-of-use assets (continued)

During the year, additions to right-of-use assets were HK$217,136,000 primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 24(c) and 21, respectively.

(i) Ownership interests in leasehold land and buildings (including relevant construction in progress) held for own use

The Group holds certain buildings as the multimedia production centre and fulfilment centres for its eCommerce business. Lump sum payments were made upfront to acquire the right to use of these buildings, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its fulfilment centres and retail stores through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted) HK$'000	Potential future lease payments under extension options not included in lease liabilities (undiscounted) HK$'000
Fulfilment centres — Hong Kong	203,351	—
Retail stores — Hong Kong	79,578	—

During the year ended 31 December 2019, the Group leased a number of retail stores which contain variable lease payment terms that are based on the relevant retail stores' revenue pursuant to the terms and conditions as set out in the respective rental agreements and minimum annual lease payment terms that are fixed. No variable lease payments were recognised in profit or loss for the year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Assets leased out under operating lease

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 10 years (year ended 31 December 2018: 10 years). None of the leases include variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Leases in respect of investment properties which are receivable:		
Within 1 year	**16,158**	12,744
After 1 year but within 2 years	**19,970**	16,158
After 2 year but within 3 years	**21,739**	19,970
After 3 year but within 4 years	**23,652**	21,739
After 4 year but within 5 years	**25,734**	23,652
After 5 year	**108,875**	134,609
	216,128	228,872

(e) Further particulars of the Group's ownership interests in leasehold land and buildings at 31 December 2019 are as follows:

Location	**Use**	**Lease term**	**Attributable interest of the Group**
12/F, 14/F and 16/F and Roof 10-18 on 17/F, Trans Asia Centre, No.18 Kin Hong Street, Kwai Chung, New Territories	Leasing for rental income	Medium-term lease	100%
13/F, Trans Asia Centre, No.18 Kin Hong Street, Kwai Chung, New Territories	Self-use	Medium-term lease	100%
Lorry Parking Space No. L13 on 1/F, Mita Centre, Nos. 552-566 Castle Peak Road, Kwai Chung, New Territories	Leasing for rental income	Medium-term lease	100%
The remaining portion of section S of Tseung Kwan O Town Lot No. 39, Tseung Kwan O, Sai Kung, New Territories	Self-use	Medium-term lease	100%

13 INTANGIBLE ASSETS

	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 2019	226,700	90,243	163	2,477	11,841	331,424
Disposals	—	—	—	—	(11,841)	(11,841)
At 31 December 2019	226,700	90,243	163	2,477	—	319,583
Accumulated amortisation and impairment losses:						
At 1 January 2019	171,501	59,476	142	2,477	10,175	243,771
Charge for the year	4,116	9,024	21	—	1,666	14,827
Written back on disposals	—	—	—	—	(11,841)	(11,841)
At 31 December 2019	175,617	68,500	163	2,477	—	246,757
Net book value:						
At 31 December 2019	51,083	21,743	—	—	—	72,826

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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$'000	TVC and sponsorship spot HK$'000	Total HK$'000
Cost:							
At 1 January 2018	146,591	226,700	90,243	163	2,477	–	466,174
Additions	–	–	–	–	–	11,841	11,841
Disposals	(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
Written back on disposals	(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

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, 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.

The Group holds indefeasible right of use in certain capacity of the telecommunications network and right to use of telecommunications services for its eCommerce business. Lump sum payments were made upfront to acquire these intangible assets, and there are no ongoing payments to be made under the terms of the lease.

During the year ended 31 December 2018, the Group had 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 had disposed of the intangible asset relating to mobile television broadcast spectrum.

The amortisation charge for the year is included in "other operating expenses" in the consolidated income statement.

(Expressed in Hong Kong dollars)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group as at 31 December 2019. 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	Inactive	Ordinary HK$37,452,120	100
Hong Kong TV Logistics Network Company Limited	Hong Kong	Inactive	Ordinary HK$1	100

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Percentage of interest held
Hong Kong Music Network Limited	Hong Kong	Inactive	Ordinary HK$1	100
Hong Kong TV Shopping Network Company Limited	Hong Kong	eCommerce business in Hong Kong	Ordinary HK$1	100
HoKoBuy Limited	Hong Kong	eCommerce business	Ordinary HK$26,509,254	100
Leader Artiste Management Company Limited	Hong Kong	Provision of marketing and advertising management, artistes' management and agency services	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.

15 INVENTORIES

The inventories are mainly merchandise purchased for the Group's eCommerce business.

16 OTHER FINANCIAL ASSETS

	31 December 2019 HK$'000	31 December 2018 HK$'000
Equity instruments designated at FVOCI (non-recycling)		
— Equity securities	**24,957**	25,864
— Perpetual bonds	**62,692**	57,820
	87,649	83,684
Debt securities measured at FVOCI (recycling)		
— Maturity dates within 1 year	**83,268**	25,295
— Maturity dates over 1 year	**312,069**	436,686
	395,337	461,981
Units in investment funds measured at FVPL	**72,566**	136,264
	555,552	681,929
Representing		
— Non-current portion	**472,284**	656,634
— Current portion	**83,268**	25,295
	555,552	681,929

All of these financial assets were carried at fair value as at 31 December 2019 and 2018.

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$57,175,000 (2018: HK$53,626,000), property development industry of HK$12,581,000 (2018: HK$12,915,000) and other industries of HK$17,893,000 (2018: HK$17,143,000), which are individually insignificant. The Group designated these investments as equity instruments at FVOCI (non-recycling) as management intended to hold them for medium to long-term purpose.

17 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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$31,581,000 (31 December 2018: HK$19,799,000), are expected to be recovered within one year.

18 CASH AT BANK AND IN HAND

Cash and cash equivalents as at 31 December 2019 and 2018 represented cash at bank and in hand.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

19 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	31 December 2019 HK$'000	1 January 2019 HK$'000	31 December 2018 HK$'000
Accounts payable (note (a))	**168,718**	146,493	146,493
Contract liabilities (note (b))	**49,349**	31,188	31,188
Other payables and accrued charges (note (c))	**128,450**	150,498	154,149
	177,799	181,686	185,337
	346,517	328,179	331,830

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

	31 December 2019 HK$'000	31 December 2018 HK$'000
Current–30 days	**160,452**	136,734
31–60 days	**2,745**	4,288
61–90 days	**422**	1,785
Over 90 days	**5,099**	3,686
	168,718	146,493

(b) Contract liabilities

Contract liabilities mainly represent prepayments received from customers upon order placement. Balance of HK$31,188,000 as at 1 January 2019 (1 January 2018: HK$45,176,000) was fully recognised as revenue during the year when the customers have taken possession of and accepted the products.

Contract liabilities of HK$49,349,000 were recognised as at 31 December 2019 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 (2018: HK$31,188,000).

(c) 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. On the date of transition to HKFRS 16, accrued lease payments of HK$3,651,000 previously included in "Other payables and accrued charges" were adjusted to right-of-use assets recognised at 1 January 2019. See note 1(c).

20 BANK LOANS

At 31 December 2019, the bank loans were repayable as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Within 1 year	**315,015**	79,392

At 31 December 2019, the uncommitted banking facilities of the Group amounted to HK$939,864,000 (31 December 2018: HK$1,101,382,000). These banking facilities were secured by the Group's other financial assets of HK$555,552,000, bank balances of HK$38,634,000 and pledged bank deposits of HK$3,905,000 as at 31 December 2019. The facilities were utilised to the extent of bank loans of HK$315,015,000 (31 December 2018: HK$79,392,000).

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 25(b). As at 31 December 2019 and 2018, none of the covenants relating to drawn down facilities had been breached.

At 31 December 2019, the bank loans bore fixed interest rates ranged from 2.8% to 3.2% per annum (31 December 2018: 2.3% to 2.8%).

21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**86,358**	**87,809**	41,580	42,319	–	–
After 1 year but within 2 years	**76,636**	**80,304**	41,537	43,541	–	–
After 2 years but within 5 years	**75,524**	**83,538**	44,590	48,421	–	–
After 5 years	**44,411**	**53,841**	–	–	–	–
	196,571	**217,683**	86,127	91,962	–	–
	282,929	**305,492**	127,707	134,281	–	–
Less: total future interest expenses		**(22,563)**		(6,574)		–
Present value of lease liabilities		**282,929**		127,707		–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

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(Expressed in Hong Kong dollars)

22 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	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000
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 for the year		–	–	–	–	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		–	–	–	100	(100)	–
Shares issued under share option scheme	22(c)	11,277	(3,723)	–	–	–	7,554
Equity-settled share-based transactions	4(c)	–	7,189	–	–	–	7,189
Balance at 31 December 2018 and 1 January 2019		1,280,191	32,271	(13,890)	(1,463)	1,831,303	3,128,412
Changes in equity for 2019:							
Loss for the year		–	–	–	–	(2,178)	(2,178)
Other comprehensive income		–	–	19,389	4,173	–	23,562
Total comprehensive income for the year		–	–	19,389	4,173	(2,178)	21,384
Shares issued under share option scheme	22(c)	13,201	(3,744)	–	–	–	9,457
Share options forfeited reclassified to retained profits	11	–	(58)	–	–	58	–
Equity-settled share-based transactions	4(c)	–	120	–	–	–	120
Balance at 31 December 2019		1,293,392	28,589	5,499	2,710	1,829,183	3,159,373

Note: The Group, including the Company, has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019. See notes 1(c) and 31.

22 CAPITAL AND RESERVES (continued)

(b) Issued share capital

	2019		2018	
	No. of shares	Amount HK$'000	No. of shares	Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	**814,216,643**	**1,280,191**	809,016,643	1,268,914
Shares issued under share option scheme (note c)	**6,517,000**	**13,201**	5,200,000	11,277
At 31 December	**820,733,643**	**1,293,392**	814,216,643	1,280,191

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 2019, 6,517,000 (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$9,457,000 (31 December 2018: HK$7,554,000) of which HK$13,201,000 (31 December 2018: HK$11,277,000) was credited to share capital and the balance of HK$3,744,000 (31 December 2018: 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 own use in note 1(h)(ii).

(e) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(f)).

(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(f)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22 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(x).

(h) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to Talents 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 borrowings less cash at bank and in hand, but excluded pledged bank deposit.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This did not have an impact on the Group's net debt-to-net asset gearing ratio on 1 January 2019 when compared to its position as at 31 December 2018.

The net debt-to-net asset gearing ratio as at 31 December 2019 and 2018 are as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Bank loans	**(315,015)**	(79,392)
Less: Cash at bank and in hand	**149,713**	105,901
Net (debt)/cash	**(165,302)**	26,509
Net assets	**1,451,608**	1,708,389
Net debt-to-net asset gearing ratio (times)	**0.11**	—

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

23 DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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$'000	Temporary difference of right-of-use assets HK$'000	Tax losses carried forward HK$'000	Total HK$'000
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 26)	1,014	—	—	1,014
At 31 December 2018	(36,560)	—	35,081	(1,479)
At 1 January 2019	(36,560)	—	35,081	(1,479)
(Charged)/credited to consolidated income statement	(14,032)	2,096	12,227	291
At 31 December 2019	(50,592)	2,096	47,308	(1,188)

(ii) Reconciliation to the consolidated statement of financial position

	31 December 2019 HK$'000	31 December 2018 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,188)**	(1,479)

(b) Deferred tax assets not recognised

As at 31 December 2019, the Group did not recognise deferred tax assets in respect of unused tax losses of HK$2,372,761,000 (31 December 2018: HK$2,063,464,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entity. The tax losses do not expire under the current tax legislation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Note	31 December 2019 HK$'000	31 December 2018 (Note) HK$'000
Loss before taxation		**(289,967)**	(132,758)
Adjustments for:			
Depreciation of property, plant and equipment	12(a)	**155,888**	67,464
Reversal of provision for onerous contract	4(a)	**(144)**	(3,156)
Bank interest income	3	**(94)**	(457)
Equity settled share-based payment expenses	4(c)	**120**	7,189
Interest income from other financial assets	3	**(30,332)**	(35,079)
Dividend and investment income from other financial assets	3	**(5,457)**	(6,440)
Loss/(gain) on disposal of other financial assets	3	**2,063**	(11)
Unrealised fair value (gain)/loss on units in investment funds measured at FVPL	3	**(378)**	12,573
Provision/(reversal) of expected credit losses of debt securities measured at FVOCI	3	**671**	(224)
Loss/(gain) on disposal of property, plant and equipment	4(a)	**11**	(997)
Non-cash licensing income		**(1,666)**	(10,175)
Valuation gains on investment properties		**(750)**	(43,550)
Gain on disposal of a subsidiary	26	**—**	(161,645)
Amortisation of intangible assets	4(a)	**14,827**	24,016
Interest on bank loans	4(b)	**5,139**	4,718
Interest on lease liabilities	4(b)	**7,119**	—
Write-down of inventories	4(a)	**6,156**	2,601
Exchange loss, net		**4,626**	1,949
Net cash used before working capital changes		**(132,168)**	(273,982)
Changes in working capital:			
Increase in other receivables, deposits and prepayments		**(34,610)**	(11,109)
Increase in inventories		**(47,597)**	(30,011)
Increase in accounts payable, other payables and accrued charges and deposits received		**41,989**	79,266
Net cash used in operations		**(172,386)**	(235,836)
Hong Kong Profits Tax refunded		**—**	1,007
Net cash used in operating activities		**(172,386)**	(234,829)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of $44,511,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments and payments for leases of low value assets not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 24(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

24 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	Lease liabilities HK$'000 (Note 21)	Total HK$'000
At 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)
Interest 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
Impact on initial adoption of HKFRS 16 (note)	—	—	127,707	127,707
At 1 January 2019	79,392	76	127,707	207,175
Changes from financing cash flows:				
Proceeds from new bank loans	2,468,447	—	—	2,468,447
Repayments of bank loans	(2,232,824)	—	—	(2,232,824)
Interest paid on bank loans	—	(4,199)	—	(4,199)
Capital element of lease rentals paid	—	—	(57,727)	(57,727)
Interest element of lease rentals paid	—	—	(7,119)	(7,119)
Total changes from financing cash flows	235,623	(4,199)	(64,846)	166,578
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	—	212,949	212,949
Interest expenses (note 4(b))	—	5,139	7,119	12,258
Total other changes	—	5,139	220,068	225,207
At 31 December 2019	315,015	1,016	282,929	598,960

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 1(c) and 24(a).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	31 December 2019 HK$'000	31 December 2018 (Note) HK$'000
Within operating cash flows	**2,858**	44,511
Within financing cash flows	**64,846**	—
	67,704	44,511

Note: As explained in the note to note 24(a), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Lease rentals paid	**67,704**	44,511

25 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, deposits, 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 eCommerce 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 and 2019, 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 and 2019, 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 ECL.

Movements in the loss allowance in respect of debt securities measured at FVOCI during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Balance at 1 January	**1,328**	1,552
Provision/(reversal) of impairment loss recognised during the year	**671**	(224)
Balance at 31 December	**1,999**	1,328

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

25 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 2019						31 December 2018		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total Contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	Total Contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Current liabilities									
Bank loans	316,339	–	–	–	316,339	315,015	79,728	79,728	79,392
Accounts payable	168,718	–	–	–	168,718	168,718	146,493	146,493	146,493
Other payables and accrued charges	128,450	–	–	–	128,450	128,450	154,149	154,149	154,149
Deposits received	5,757	–	–	–	5,757	5,757	5,757	5,757	5,757
Lease liabilities (note)	87,809	80,304	83,538	53,841	305,492	282,929	–	–	–
	707,073	80,304	83,538	53,841	924,756	900,869	386,127	386,127	385,791

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases commenced or entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(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, bank loans and lease liabilities. 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 favourable to the Group.

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

	31 December 2019 HK$'000	31 December 2018 HK$'000
Fixed rate and variable rate instruments		
— Other financial assets:		
Debt securities measured at FVOCI	**395,337**	461,981
Perpetual bonds designated at FVOCI	**62,692**	57,820
Units in investment funds measured at FVPL	**53,356**	118,408
Fixed rate borrowings		
— Bank loans	**(315,015)**	(79,392)
— Lease liabilities (note)	**(282,929)**	—
	(86,559)	558,817

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 1(c).

Notes to the Financial Statements

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25 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 and lease liabilities at amortised cost) with any change in fair value recognised in profit or loss or other comprehensive income, and accumulated in retained profits/accumulated losses 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 loss after tax and accumulated losses by HK$838,000 (31 December 2018: increased or decreased Group's loss after tax and decreased or increased retained profits by HK$2,737,000), other components of consolidated equity would have increased or decreased by approximately HK$10,551,000 (2018: HK$14,190,000).

The Group accounts for the bank loans and lease liabilities 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 2019			31 December 2018		
	USD HK$'000	**RMB HK$'000**	**EUR HK$'000**	USD HK$'000	RMB HK$'000	EUR HK$'000
Cash at bank and in hand	**42,638**	**835**	**724**	8,510	954	17,639
Other financial assets:						
– Debt securities measured at FVOCI	**379,109**	**–**	**–**	429,860	–	–
– Units in investment funds measured at FVPL	**66,329**	**–**	**–**	70,921	59,711	–
– Perpetual bonds designated at FVOCI	**62,692**	**–**	**–**	57,820	–	–
	550,768	**835**	**724**	567,111	60,665	17,639

25 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 rates	Decrease/ (increase) in loss for the year HK$'000
	HK$'000	
31 December 2019		
RMB	**5%**	42
	(5%)	(42)
EUR	**5%**	36
	(5%)	(36)
31 December 2018		
RMB	**5%**	3,033
	(5%)	(3,033)
EUR	**5%**	882
	(5%)	(882)

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 2018.

(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/ accumulated losses 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$4,417,000 (31 December 2018: HK$4,372,000). 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.

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(Expressed in Hong Kong dollars)

25 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 2019				
Assets:				
— Debt securities measured at FVOCI	**—**	**395,337**	**—**	**395,337**
— Units in investment funds measured at FVPL	**6,238**	**66,328**	**—**	**72,566**
— Equity securities designated at FVOCI	**24,957**	**—**	**—**	**24,957**
— Perpetual bonds designated at FVOCI	**—**	**62,692**	**—**	**62,692**
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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(continued)

(f) Fair values (continued)

(i) Financial assets and liabilities measured at fair value (continued)

During the year ended 31 December 2018 and 2019, 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 in active markets for similar instruments or quoted prices for identical or similar instruments in markets that are not considered active 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 2018 and 2019.

26 DISPOSAL OF A SUBSIDIARY

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:	
Property, 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)
Satisfied by:	167,574
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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27 COMMITMENTS

(a) Capital commitments

	31 December 2019 HK$'000	31 December 2018 HK$'000
Purchase of motor vehicles, computers and equipment		
Contracted but not provided for	**51,828**	76,725
Construction of eCommerce and Distribution Centre		
Contracted but not provided for	**1,876**	3,346

In addition, the Group was committed at 31 December 2019 to enter into certain number of leases of 3 years that are not yet commenced, the lease payments under which amounted to HK$4,680,000 in total.

(b) Commitments under operating leases

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2018 HK$'000
Within 1 year	54,561
After 1 year but within 5 years	103,273
	157,834

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(j), and the details regarding the Group's future lease payments are disclosed in note 21.

28 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 2019 HK$'000	Year ended 31 December 2018 HK$'000
Short-term Talent benefits	**20,228**	7,403
Post-employment benefits	**1,074**	434
Equity-settled share-based payment	**—**	5,953
	21,302	13,790

29 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) Impairment of non-current assets

At the end of each reporting period, the Group performs an impairment assessment of property, plant and equipment and other assets if necessary.

Management judgement is required in the area of asset impairment, particularly in assessing whether (a) an event has occurred that may affect asset value; (b) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections or fair value less costs of disposal of the asset; and (c) the cash flow is discounted using an appropriate rate ("discount rate"). Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rate or the growth rate assumption in the cash flow projections, could significantly affect the Group's reported financial position and results of operations.

The Group performed impairment assessment by adopting the value in use model prepared by management which calculated the recoverable amount of the non-current assets relating to the eCommerce business ("the eCommerce assets").

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

29 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Impairment of non-current assets (continued)

The recoverable amounts of the eCommerce assets have been determined on the basis of value in use of the eCommerce business to which the relevant assets belong. The value in use calculations use cash flow projections based on the latest financial projections approved by the Company's management covering a four-year period, and a pre-tax discount rate of 13.4% (2018: 13.1%). Cash flows beyond the four-year period are extrapolated using a growth rate of 3%. Key assumptions adopted in the cash flow projections include revenue growth rate, gross profit margin and blended commission rate, net profit margin and discount rate which are determined based on the past performance and management's assessment of the future changes in the market. Based on the cash flow projections, a reasonably change in the key assumptions adopted would not cause any impairment of the eCommerce assets.

(c) Determining the lease term

As explained in policy note 1(j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(d) Sources of estimation uncertainty

Notes 11, 12(b) and 25(f) contain information about the assumptions and their risk factors relating to fair value of share options granted, investment properties and financial instruments.

30 PLEDGED BANK DEPOSIT

As at 31 December 2019, the Group had 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 2019, the Group did not enter into any hedging arrangement.

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019 HK$'000	31 December 2018 HK$'000
Non-current assets			
Property, plant and equipment		**1,883**	2,729
Intangible assets		**72,826**	85,966
Interest in subsidiaries		**2,807,958**	2,401,416
Other financial assets		**472,284**	656,634
		3,354,951	3,146,745
Current assets			
Other receivables, deposits and prepayments		**10,260**	14,060
Other current financial assets		**83,268**	25,295
Pledged bank deposit		**3,905**	3,905
Cash at bank and in hand		**58,791**	56,110
Amounts due from subsidiaries		**2,249**	2,181
		158,473	101,551
Current liabilities			
Other payables and accrued charges		**38,332**	27,278
Bank loans		**315,015**	79,392
Amounts due to subsidiaries		**704**	13,214
		354,051	119,884
Net current liabilities		**(195,578)**	(18,333)
NET ASSETS		**3,159,373**	3,128,412
CAPITAL AND RESERVES	22		
Share capital		**1,293,392**	1,280,191
Reserves		**1,865,981**	1,848,221
TOTAL EQUITY		**3,159,373**	3,128,412

Approved and authorised for issue by the board of directors on 26 March 2020.

Cheung Chi Kin, Paul
Director

Wong Wai Kay, Ricky
Director

(Expressed in Hong Kong dollars)

32 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

1. On 11 February 2020, the Company entered into a placing agreement ("Placing Agreement") with Top Group International Limited (the "Vendor") and UBS AG Hong Kong Branch (the "placing agent") and a subscription agreement ("Subscription Agreement") with the Vendor, pursuant to which the placing agent agreed to place, on a fully underwritten basis, 90,000,000 existing shares to not less than six placees at HK$5.15 per share (the "Placing"), and the Vendor agreed to subscribe for 90,000,000 new shares of the Company at HK$5.15 per share (the "Subscription").

   The Placing and the Subscription were completed on 14 February 2020 and 24 February 2020 respectively, in accordance with the terms and conditions of the Placing Agreement and the Subscription Agreement. The net proceeds from the Subscription amounted to approximately HK$453.1 million (net of expenses relating to the Subscription).

2. After the recent outbreak of the COVID-19, a series of precautionary and control measures have been implemented across the globe. The Group has been closely monitoring the development of the COVID-19 outbreak. As of the date of approval of the financial statements, the Group was not aware of any material adverse impact to its financial position and results. The actual impacts may differ from these estimates as the situation continues to evolve and when further information may become available.

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 2019, 31 December 2018, 31 December 2017, 31 December 2016 and 31 December 2015:

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Results					
Turnover	**1,413,958**	896,374	487,257	187,071	112,810
Loss before taxation	**(289,967)**	(132,758)	(203,757)	(257,042)	(812,466)
Taxation	**54**	(337)	(1,163)	(74)	(93)
Loss after taxation	**(289,913)**	(133,095)	(204,920)	(257,116)	(812,559)
Assets					
Property, plant and equipment	**1,409,816**	1,115,347	1,152,387	917,048	560,335
Intangible assets	**72,826**	87,653	99,828	112,248	125,410
Goodwill	**897**	897	897	—	—
Long term receivable and prepayment	**24,658**	5,444	11,912	8,209	31,445
Other financial assets	**555,552**	681,929	876,165	1,183,425	1,445,752
Current assets	**339,502**	235,577	195,299	101,431	255,939
Total assets	**2,403,251**	2,126,847	2,336,488	2,322,361	2,418,881
Liabilities					
Current liabilities	**753,884**	416,979	471,700	324,705	179,345
Non-current liabilities	**197,759**	1,479	2,156	993	919
Total liabilities	**951,643**	418,458	473,856	325,698	180,264
Net assets	**1,451,608**	1,708,389	1,862,632	1,996,663	2,238,617

Note: The Group has initially applied HKFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Corporate Information

FINANCIAL CALENDAR

Financial year ended:
31 December 2019

Annual results announced:
26 March 2020

Closure of register of members for Annual General Meeting:
28 May 2020 to 2 June 2020

Annual General Meeting:
2 June 2020

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. CHEUNG Chi Kin, Paul [3,5] (Chairman)
Mr. WONG Wai Kay, Ricky [3,4]
(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]
(Managing Director of Shopping and eCommerce)

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

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
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
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
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New York, NY 10286 USA

Principal Bankers

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

Website

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

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