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

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www.hktv.com.hk

Technology Enablers *for* Digital Transformation

ANNUAL REPORT 2020 年報

Technology Enablers *for* Digital Transformation

數碼轉型的科技推動者

Successful experiences taking the Group from a local eCommerce operator to an eCommerce technology enabler

成功經驗帶領集團由本地網購商場營運商拓展至電子商貿科技的推動者

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In thousands of Hong Kong dollars unless specified

On order intake	**For the year ended 31 December 2020**	For the year ended 31 December 2019	Change in percentage
Gross Merchandise Value ("GMV")[1]	**5,953,693**	2,779,070	114.2%
Average Daily Order Number (rounded to the nearest hundred)	**32,300**	15,100	113.9%
Average Order Value (HK$) (rounded to the nearest dollar)	**504**	504	–
Combined Unique Customers (rounded to the nearest thousand)	**1,107,000**	823,000	34.5%

On order intake	**For the month ended 31 December 2020**	For the month ended 31 December 2019	Change in Percentage
Gross Merchandise Value ("GMV")	**570,919**	270,816	110.8%
Average Daily Order Number (rounded to the nearest hundred)	**36,300**	18,700	94.1%
Average Order Value (HK$) (rounded to the nearest dollar)	**508**	467	8.8%

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 2020	For the year ended 31 December 2019	Change in Percentage
GMV on completed orders[2]	**5,838,140**	2,707,816	115.6%
Turnover	**2,877,884**	1,413,958	103.5%
EBITDA/(EBITDA loss)[3,4]	**277,329**	(218,361)	Improved by 227.0%
EBITDA/(EBITDA loss)[4] margin* (in %)	**4.8%**	(8.1)%	12.9%
Adjusted EBITDA/(adjusted EBITDA loss)[3,5]	**307,037**	(216,002)	Improved by 242.1%
Adjusted EBITDA/(adjusted EBITDA loss) margin* (in %)	**5.3%**	(8.0%)	13.3%
Profit/(loss) attributable to shareholders	**183,581**	(289,913)	Improved by 163.3%
Net profit/(loss) margin* (in %)	**3.1%**	(10.7%)	13.8%
Capital Expenditures — Property, plant and equipment (excluded other properties leased for own use)	**84,376**	108,476	(22.2%)

* As a percentage of GMV on completed orders

	As at 31 December 2020	As at 31 December 2019	Change in percentage
Cash position[6]	**942,479**	149,713	529.5%
Other financial assets	**342,316**	555,552	(38.4%)
Bank loans	**–**	315,015	(100%)
Total equity attributable to equity shareholders	**2,097,688**	1,451,608	44.5%
Number of shares in issue (in thousands)	**911,274**	820,734	11.0%
Net asset per share (HK$)	**2.30**	1.77	29.9%
Gearing ratio (total bank loans less cash position divided by total equity) (times)	**–**	0.11	(100%)

2 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.

3 EBITDA/(EBITDA loss) and adjusted EBITDA/(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 profit/(loss) or cash flows from operations as determined in accordance with HKFRSs. These measures are not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definitions of these measures may not be comparable to other similarly titled measures used by other companies

4 EBITDA/(EBITDA loss) means profit/(loss) for the year plus interest on bank loans (excluded finance costs — interest on lease liabilities), income tax expense/(credit), depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use) and amortisation of intangible assets and deduct investment returns.

5 Adjusted EBITDA/(adjusted EBITDA loss) means EBITDA/(EBITDA loss) adjusted by major non-cash items.

6 Cash position means cash and cash equivalents and term deposits, excluding pledged bank deposits (if any).

RECONCILIATION OF

Adjusted EBITDA/(Adjusted EBITDA Loss)

	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Profit/(loss) attributable to shareholders	**183,581**	(289,913)
Income tax expense/(credit)	**560**	(54)
Interest on bank loans	**1,855**	5,139
Investment returns[7]	**(26,987)**	(33,820)
Depreciation — on property, plant and equipment (excluded depreciation on other properties leased for own use)	**105,180**	85,460
Amortisation on intangible assets	**13,140**	14,827
EBITDA/(EBITDA loss)	**277,329**	(218,361)
Major non-cash items:		
Valuation losses/(gains) on investment properties	**6,050**	(750)
Net exchange loss	**1,601**	4,362
Provision of expected credit losses on debt securities measured at FVOCI	**4,527**	671
Non-cash licensing income	**–**	(1,666)
Unrealised fair value loss/(gain) on units in investment funds measured at FVPL	**2,443**	(378)
Equity-settled share-based payment expenses	**15,087**	120
Adjusted EBITDA/(adjusted EBITDA loss)	**307,037**	(216,002)

7 Investment returns include bank interest income, dividend and investment income from other financial assets, interest income from other financial assets and (gain)/loss 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

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

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 of OTT content platform. 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

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 O2O 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

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 O2O 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

MAJOR MILESTONES AND EVENTS

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

JUL

Partners with Citibank to launch the first HKTVmaill co-brand credit card

OCT

Launch of eWallet "HKTVpay", enabled in all HKTVmall O2O shops and physical stores of merchant partners

NOV

Setting up Shoalter Technology to extend our end-to-end eCommerce Solution locally and globally, to share our unique knowledge, experiences and technical skills in eCommerce.

Set up the first overseas research and development centre in Taiwan and recruiting IT Talents to support research & development in software and mechanical systems

DEC

HKTVmall is the first in Top Trending Shopping Sites and second in Top Trending Keywords of Google Hong Kong Year In Search 2020

2021

JAN

Launch of "HKTVmall Open Databank" which shares anonymous eCommerce data of HKTVmall on free basis, aiming to enable Hong Kong to become a smarter city

JAN

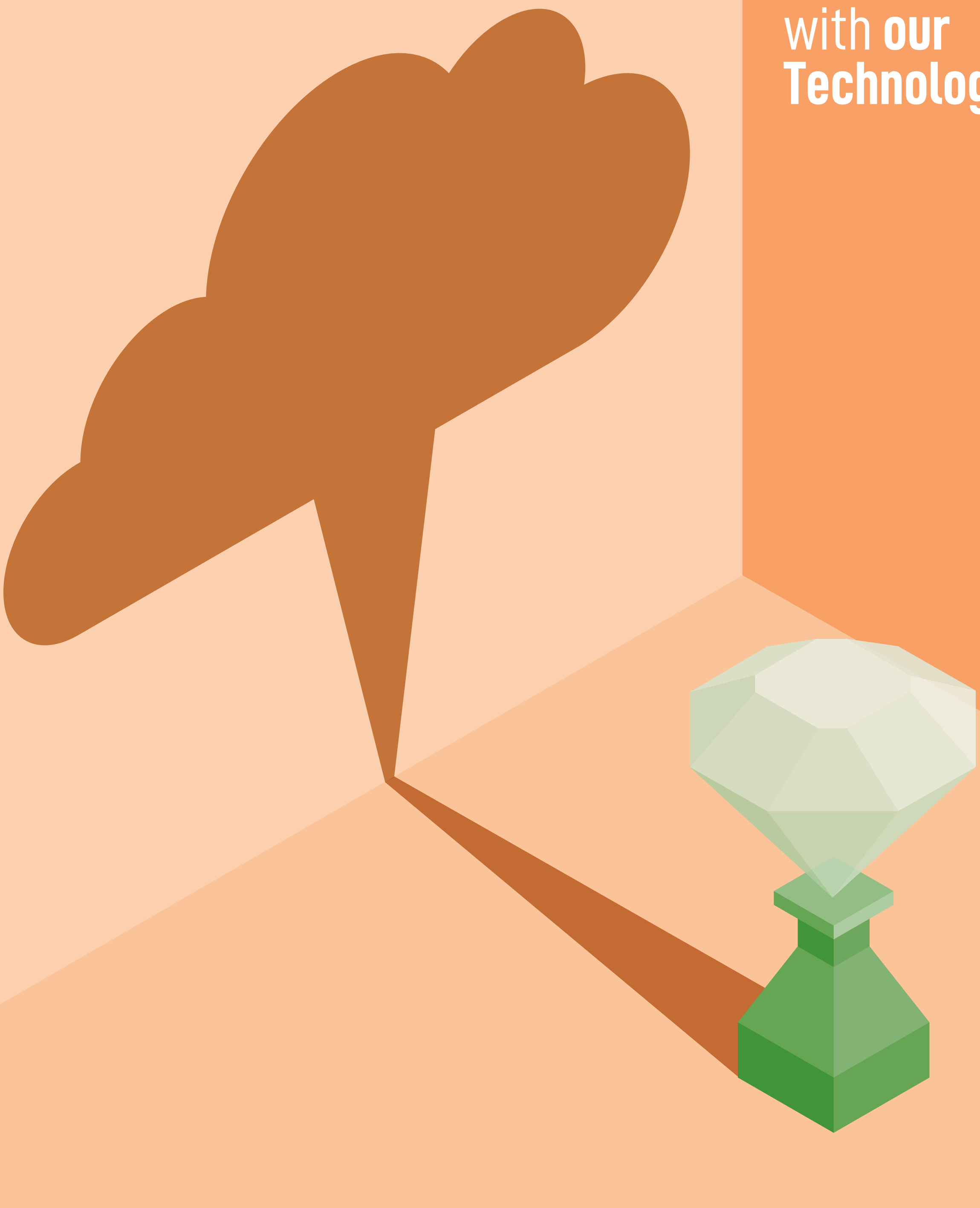
First Online Flower Market to support local florists by offering a special commission rate, as well as breaking traditional limitation for retail to have live streaming on both HKTVmall Live Shopping Channel and social media page for promotion

FEB

Expanding delivery network to South Lantau and other remote areas to expand to new customer segments

FEB

Partners with HSBC to launch a new solution later this year that utilises commercial data at HKTVmall for faster and easier access to digital trade finance



Bringing
Innovation
and Changes
with **our**
Technology DNA

Statement

DEAR SHAREHOLDERS,

The COVID-19 outbreak has lasted for more than one year. As a result, our lifestyles, habits, social and economic development have all undergone some fundamental changes over the past year. Under the pandemic, we would try to avoid visiting crowded places and switched to outdoor exercises and hiking activities; whereas we might prefer dining out for festivals and gatherings with friends and families, but now we are getting used to ordering takeaways. As of now, we are still uncertain whether the pandemic will last for another half year or a year (or even years). The so-called "New Normal" today will be here to stay after we become accustomed to it, and will not be totally reversed even when the pandemic ceases and society and economy eventually recover.

Some have argued that HKTVmall is being "lucky" and a short term "beneficiary" of the pandemic. I respectfully do not agree. There are many large and small companies from different industries including traditional retailers and supermarket chains, TV stations and telecom operators who have developed eCommerce and established sizable online shopping platforms over the past years, some of whom started their operation even earlier than us. Why then is only HKTVmall being the "lucky" one? Moreover, according to consumer data over the past six years, if a customer shopped for over six times over a period of six months, online purchase will no longer be a "short-term" consumption pattern but acquired as a habit, and hence a long term customer is secured.

We strongly believe that one should always equip oneself, and chance favors those who are well-prepared. The Group has been focusing on developing eCommerce business since February 2015, not least building multiple automated robotic systems, warehouses, logistics centres and delivery fleet. Starting from seven years ago until now, as there is no existing system available globally that is applicable to online shopping mall, HKTVmall, therefore, has to devote its own efforts to develop systems for big data analysis, sales platform and warehouse management, merchant management, delivery route planning, logistics and delivery. All the experiences, knowhow and infrastructures we accumulated over these seven years, have enabled us to grasp and react to the opportunities when they came.

According to the data released by the Census and Statistics Department of the government, the value of total retail sales in 2020 decreased by 24.3%[8] compared with 2019. However, the annual GMV of HKTVmall grew by 114% during the same period. Comparing January 2021 to January 2020 year on year, the value of retail sales of different categories dropped continuously; for instance, the value of sales of commodities in supermarkets decreased by 9.0%, wearing apparel decreased by 20.4%, medicines and cosmetics decreased by 40.1%, commodities in department stores decreased by 17.4%, jewellery, watches and valuable gifts decreased by 31.7%. Despite of many unfavorable external factors, the operational indicators of HKTVmall in January 2021 managed to remain at similar levels compared to the previous months.

Although we are unable to predict the economic development and recovery progress of Hong Kong, Asia and globally, with the increasing popularity of online shopping, the Group will adjust the development direction of HKTVmall in accordance with the social economic situation. If economic situation remains weak, HKTVmall will be more focusing on daily necessities such as supermarket products and groceries; otherwise, the development of HKTVmall will be more diversified in order to grasp the opportunities brought by economic recovery.

DIVERSIFIED BUSINESS WITH MATURE MANAGEMENT TEAM

Under the dynamic environment, the Group has evolved into three major business units with respective operations and development targets:

1. Hong Kong TV Shopping Network Company Limited: HKTVmall partnering with more than 4,200 merchants and suppliers, offers over 500,000 products choices, and is now the largest eCommerce platform in Hong Kong;

2. HKTV eCommerce Fulfilment Company Limited & Hong Kong TV Logistics Network Company Limited: An extensive fulfilment and logistics network consists of multiple automated warehouses, fulfilment centres and delivery fleet, supported by big data and sophisticated systems; and

[8] Sources :
2019 – https://www.statistics.gov.hk/pub/B10800032020MM01B0100.pdf
2020 – https://www.statistics.gov.hk/pub/B10800032021MM01B0100.PDF

3. Shoalter Technology Limited ("Shoalter") which offers technology solutions through innovation, robotic systems, cloud platforms, big data, etc., as well as innovative solutions to transform traditional models for retailing and eCommerce taking advantage of our accumulated professional skills, knowhow and experiences. Shoalter expands technology solutions business in local and overseas markets for the Group.

The core management team accountable for business strategies and execution are crucial to the sustainable development of the Group. There are five executive members in the Board. We have made proper re-designation of their roles in November last year so as to lead the Group to a healthy and long term growth.

Ms. Jelly Zhou was re-designated as Chief Executive Officer (Hong Kong) and is responsible for the overall operations of our Hong Kong business. She joined the Group in 2003, and has held numerous positions in telecom, multimedia and eCommerce; prior to the current role, she was responsible for sales & marketing, managing O2O stores and customer services of eCommerce. With her acute sense towards Hong Kong market as well as knowledge and experiences in eCommerce business and operations, we strongly believe that HKTVmall will be taken to the next level under her leadership.

Another executive member is Mr. Kenneth Lau, who joined the Group in 2004 and has also been responsible for different business areas. It is worth mentioning that he was the Chief Operating Officer of the Group primarily responsible for business intelligence, big data, the design, research & development, construction and management of various automated fulfilment and logistics operational systems of the Group. With his in-depth understanding of these systems, he was re-designated as Chief Executive Officer (International Business) to lead the Group to become a technology enabler.

Another executive member of the Board is Ms. Alice Wong, who is the Group Chief Financial Officer and is primarily responsible for finance, treasury, procurement, administration, talent acquisition and management, legal and company secretary. All these functions form a solid protection and foundation of the Group. More importantly, she is also charged with investor engagement that helps to maintain timely and accurate communications with our investors on business updates of the Group.

GROUP DEVELOPMENT COUNTS ON TALENTS

We need to nurture more management Talents for different departments and different seniority as the size and capacity of our management team, instead of market space, will define the development scale of the Group. With the establishment of the successful operational model of HKTVmall, we need more management Talents to sustain and to expand.

DESPITE NO FORESEEABLE COMPETITORS, WE ARE FULLY DEVOTED TO DEVELOPING A DIGITAL ECOSYSTEM

Over the past year, the Group further strengthened HKTVmall's leadership position in Hong Kong's eCommerce market, with stable and satisfactory growth in different indicators including order number, sales turnover, customer loyalty and number of merchant partners. In fact, with the snowball effect that builds momentum between merchants, products and customers, our dominant position in Hong Kong's online retail market has become even more affirmative, making it very difficult for our competitors to surpass.

Over the past months, we gained a more thorough understanding towards our competitors in the Hong Kong's eCommerce market and now we are more confident about the future of HKTVmall. Under the pandemic, "competitors" who wanted to capture market share surged but be they new or existing players, none of them was able to establish foothold for many different reasons. As what we have shared on many different occasions, the success of eCommerce is not just about designing a mobile app and computer system to display merchant goods and launching with different promotions. eCommerce is indeed about the overall customer experience and after-sales delivery service with cost efficiency, that starts with platform design, order processing, logistics, delivery and after-sales services that are closely linked and inseparable. Each of these items is complicated and indispensable.

To traditional supermarkets, the expansion to online shopping not only requires incremental investment on computer systems, talents, warehouses and delivery fleets, but also incurs additional daily operating costs. However, the addition of online shopping as a sales channel is just the transfer of partial offline business to online. That does not necessarily increase its overall business. While supermarkets are selling daily necessities, the sales turnover will increase with population growth, but not the increase in sales channels. This explains why they are trapped in a dilemma.

There are some other operators who have misunderstood the concept of eCommerce and mistakenly think that eCommerce is merely riding on existing large customer cluster (but their customer cluster is irrelevant to shopping), then build a sizable platform to acquire merchants to display and offer their products for sale; while some other operators have not considered the necessary infrastructures and facilities such as the essential support from logistics centre and last mile delivery fleet. As for traditional retailers and large corporations, they are unable to resolve the conflicts between online and offline sales channels or they do not have senior management and technical professional talents who possess online shopping operation experiences in Hong Kong, as a result of which they lack confidence in the sophisticated online shopping operations. For sure, some conglomerates may have other important and profitable businesses that they do not leap over to eCommerce landscape.

After all, HKTVmall has spent seven years with over two hundred marketing and research Talents to try and to learn from mistakes, and to improve operational flow and the systems before we can reach the height today. Based on the above reasons, observations and communications with many companies, we strongly believe that the experiences and established systems over the past seven years for HKTVmall have formed a solid foundation for its unbreakable leading position. The growth for HKTVmall over the coming years will be proportional to the growth in online shopping for Hong Kong consumers, and we will be able to grasp a majority of the market share of Hong Kong's eCommerce consumption market.

The development of fulfilment network and logistics systems that constitute an important part of HKTVmall have reached a mature stage. Apart from handling and delivering customer orders for HKTVmall, we are capable of supporting third party warehouse management and delivery services, which are mainly for the merchant partners of HKTVmall. This support service will not only bring hassle-free support to our merchants so that they can remain focused on merchandizing, digital marketing and sales, but also create stronger bonding and relationship between merchants and HKTVmall with the complementary support from the new functions enabled by our digital ecosystem.

REPLICATING SUCCESSFUL EXPERIENCE IN OVERSEAS MARKET

The fact that the Group managed to bring online shopping business to reach the first turnaround to profit in just five to six years proves that our accumulated experiences and knowhow are sufficient to build a viable business model. Therefore, we will take the Group's business to the next level, from a local eCommerce operator to an eCommerce technology enabler.

The platform of HKTVmall is the entire end-to-end journey for customers who place orders for their purchases, starting with our self-operated logistics centres or thousands of our merchants for pick & pack, followed by our delivery fleet for last mile delivery. The only customer contact point is logistics and delivery, which requires very precise calculation, logistics and delivery and full support from automated robotic systems with smooth coordination between technology and technical skills. These unique experiences and systems have become important assets of the Group and has fostered the birth of Shoalter.

The origin of the name Shoalter is a combination of the word "Shoal", meaning a group of small fishes united to fight against giants and external enemies, and the word "alter" carries the meaning of changing the nature of matters. Shoalter, therefore, means the unity of different retailers to change and to search for new direction for the retail industry.

Many years ago when we entered the eCommerce market in Hong Kong, we have shared the purpose of establishing HKTVmall was that we noticed the development of eCommerce in Hong Kong lagged behind neighboring areas and countries. If our retailers remain highly focused on physical retailing with the absence of technological input, the retail industry in Hong Kong will unconsciously lose to overseas online shopping platforms and in the long run, Hong Kong would lose its position as the Shoppers' Paradise. This decline in retail industry would in turn drag down our overall economy.

Therefore, Shoalter will become a technology enabler to provide its self-developed solutions for "online shopping mall", to support and promote the development of another two to three large scale online shopping malls in Hong Kong. You may question that this will increase market competition for HKTVmall, and may cannibalize its market share. In fact, apart from the one-time implementation fee, Shoalter will also charge its business partner annual fee and sales turnover based commission fee, and as such, the actual return will be similar for the Group to run its own online shopping mall. We believe that no single online shopping platform can acquire and monopolise the markets across all industries — every retailer would have its preposition to attract customers of different types and age groups, and these new online shopping platform partners will be the leader of their specific segments that will be mutually complementary to HKTVmall's leading position in online supermarket.

We are making satisfactory progress in this regard: currently, Shoalter has started initial conversation with over ten corporates to introduce our solutions, locally and globally such as Taiwan, Singapore and a few European corporates. However, due to the travel restrictions imposed under the pandemic, the investment and complexity involved in building a large scale online shopping mall, and the change of business model being an important commercial consideration, the liaison process is taking longer than expected.

Furthermore, in December 2020, Shoalter entered into a definitive eCommerce solution agreement with a retail group in Hong Kong. We will provide hardware and software system as a service to the retail group to support the setting up of its online shopping mall, which is expected to be launched in the third or fourth quarter of 2021.

HONG KONG TECHNOLOGY VENTURE COMPANY LIMITED

There is one more important announcement for this annual report.

The Group was renamed from "City Telecom (HK) Limited" into "Hong Kong Television Network Limited" in January 2013, with the abbreviation of HKTV. We believe that we do not have to explain in detail for this name change. The name of the Group was made according to the Group's overall actual business.

Whereas the business natures differ, "technology DNA" has always remained to be our key success factor, no matter in the past or the future. And no matter in telecom, multimedia or eCommerce, our team has always led changes with technology, to bring innovation and new mindsets to change the rule of game for the industry. Therefore, the Board proposes to rename HKTV from "Hong Kong Television Network Limited" to "Hong Kong Technology Venture Limited". The change of company name is subject to the approval by the shareholders of a special resolution at the annual general meeting and the approval by the Companies Registry in Hong Kong. The name of "HKTVmall", that operates an online shopping mall in Hong Kong with high brand value, will remain unchanged.

In the past, we brought ultra high speed optical fibre broadband with technology; nowadays, we change the retail industry with technology. In future, the Group will continue to pay attention to the technology research and development for every aspect that can improve the living quality of human beings (such as the elderlies) and possible investment opportunities, and will make announcement at appropriate timing.

DARKNESS WILL NOT LAST FOREVER

Taking this opportunity, we would like to express our sincere thanks for the trust and support over the past six years from our shareholders and long term investors, who embraced hope towards the Group's prospects. We would also like to thank the management team and the efforts contributed by every Talent, particularly our frontline Talents with daily customer contact. They empower HKTVmall in offering un-interrupted services to Hong Kong people to meet daily needs over the pandemic period. We also hope that through shopping at HKTVmall, customers can make better use of the limited time in our lives, enjoy the delights in life and improve living quality.

Uncertainties confronting Hong Kong society and global economic prospects are abound. We have to face various changes, challenges and opportunities in our lives, politics and business landscapes. We must remain confident in the future, as darkness will not last forever. There must be an end to the pandemic. Finally, I would like to cite the quote from "A Tale of Two Cities" by Charles Dickens for all to reflect on:

"It was the best of times, it was the worst of times,
it was the age of wisdom, it was the age of foolishness,
it was the epoch of belief, it was the epoch of incredulity,
it was the season of Light, it was the season of Darkness,
it was the spring of hope, it was the winter of despair,
we had everything before us, we had nothing before us"

Last but not least, we wish everyone good health and happiness.

Cheung Chi Kin, Paul
Chairman

Wong Wai Kay, Ricky
Vice Chairman

Hong Kong, 30 March 2021

Creating Stronger Bonding and Relationship with **Merchant Partners by our Digital Ecosystem**

BUSINESS REVIEW

eCommerce Business Segment — HKTVmall

2020 is our first year turning from loss to profit in respect of our eCommerce business — HKTVmall. Thanks for everyone's effort at HKTV who has demonstrated exceptional responsiveness to ensure the continuity of order fulfilment and to at the best effort meet existing and new consumer needs in this rapidly-changing environment.

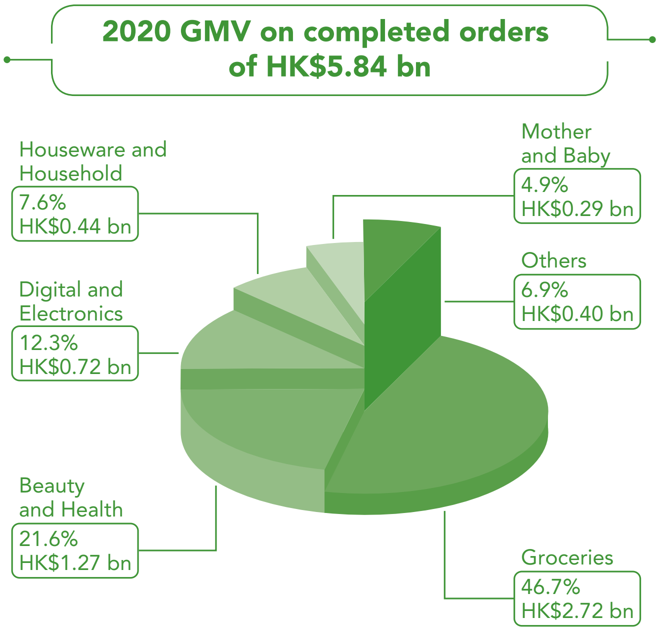
HKTVmall has achieved HK$5.95 billion GMV on order intake, an increase by 114.2% versus 2019, and outperformed the revised target of HK$5.55 billion to HK$5.75 billion announced on 27 August 2020, which was originally set at HK$3.38 billion as announced on 9 January 2020. Together with the key operating factors including the successful increment in gross profit margin and blended commission rate to 24.6% (2019: 21.4%), maturing multimedia advertising income of HK$23.5 million (2019: HK$8.2 million) and the efficiency gain on logistics and fulfilment operations pushing down the cost ratio to 11.8% of GMV on completed orders (2019: 15.2%), the business turned profitable in 2020.

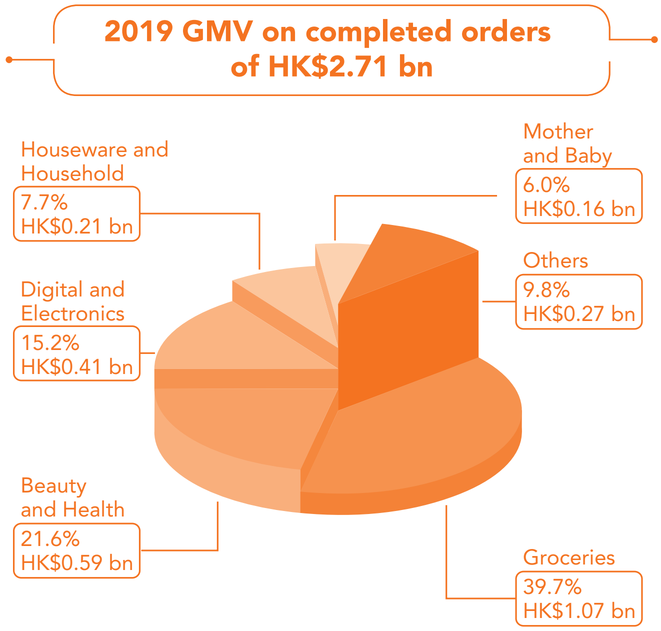
At HKTV, we faced the same COVID-19 pandemic and economic downturn as faced by all other retailers in Hong Kong and in the world. But what made us to stand out from the peers and turned profitable during the year was not because of COVID-19 and our online business nature, it's our determination and execution in the past 6 years brought us the success and future.

Determination to be an online "Landlord"

1. 1P and 3P hybrid business model for traffic, choices and decentralized efficiency
   We described HKTVmall as an online landlord, an online shopping mall or a digital ecosystem but never as an e-shop nor only a marketplace. As a landlord, we built and own the entire infrastructure for the eCommerce business and we run the anchor supermarket by ourselves, but, we do not run everything internally. Rather, we adopt 1P and 3P business model — on one hand, we purchase inventory from vendors for stable supply of fast-moving groceries and food products (i.e. "1P" or "Direct merchandise sales"), while on the other hand, we partner with third party merchants to set up their own e-store at HKTVmall (i.e. "3P" or "Concessionaire sales").

   Together with products offered by HKTVmall directly and by more than 4,200 merchants and suppliers, HKTVmall are offering more than 500,000 product items in 14 product categories. The GMV on completed orders by product categories mix is as below:





Among the 2020 GMV on completed orders, about 65.5% were attributed by 3P (2019: 58.3%). We consider this hybrid business model is sustainable and profitable as it brings the benefit of traffic, product choices, marketing and fulfilment efficiency from 4,200 partners without compromising the customer service quality at last mile delivery:

a. HKTVmall manages the 1P business mainly on supermarket and grocery products to drive traffic and repeated purchases, and to enable "delivery-in-one-go" last mile service.

b. 3P merchant partners bring product varieties and wider product spectrum for all 14 product categories at HKTVmall, drive cross-category traffic from each of their own marketing intelligences, and also enable decentralized warehouse fulfilment process at each of their warehouses.

This mega online store has attracted about 1,107,000 unique customers who shopped at HKTVmall in 2020, a substantial growth from 823,000 unique customers in 2019. The repeated purchase catalyst — supermarket and grocery products together with another 13 product categories have driven the average purchase frequency per customer to increase from 3.76x in Q4 2019 to 4.77x in Q4 2020, and the average main categories purchased per customer also increased from 2.57 in Q4 2019 to 2.91 in Q4 2020.

The data analysis also confirmed our belief — once consumers go online, they won't go back to offline! Online shopping has become a habit with long term customers, such as for those customers who purchased at HKTVmall in 2019 for a certain amount, they will highly likely continue to shop at HKTVmall.

Spending Level in 2019	Retention Rate in 2020*
HK$5,000 or above	94%
HK$8,000 or above	96%
>HK$10,000	98%

* Retention Rate refers to % of the customers who made purchases in 2019 with a certain amount and continued to purchase in 2020.

2. **Stabilised gross profit margin and blended commission rate**

After running for 6 years, the continued growth in online groceries demand has brought us a stable gross profit margin on direct merchandise sales, and the new standardized merchant categorical commission and annual fee scheme introduced on 1 January 2020 have also successfully increased the blended commission rate. In 2020, the gross profit margin and blended commission rate reached 24.6%, an increase by 3.2% compared to 2019.

If including multimedia advertising income and other programme license income, the gross contribution margin from Multimedia Business is 25.0% (2019: 21.7%).

GROSS PROFIT MARGIN AND BLENDED COMMISSION RATE

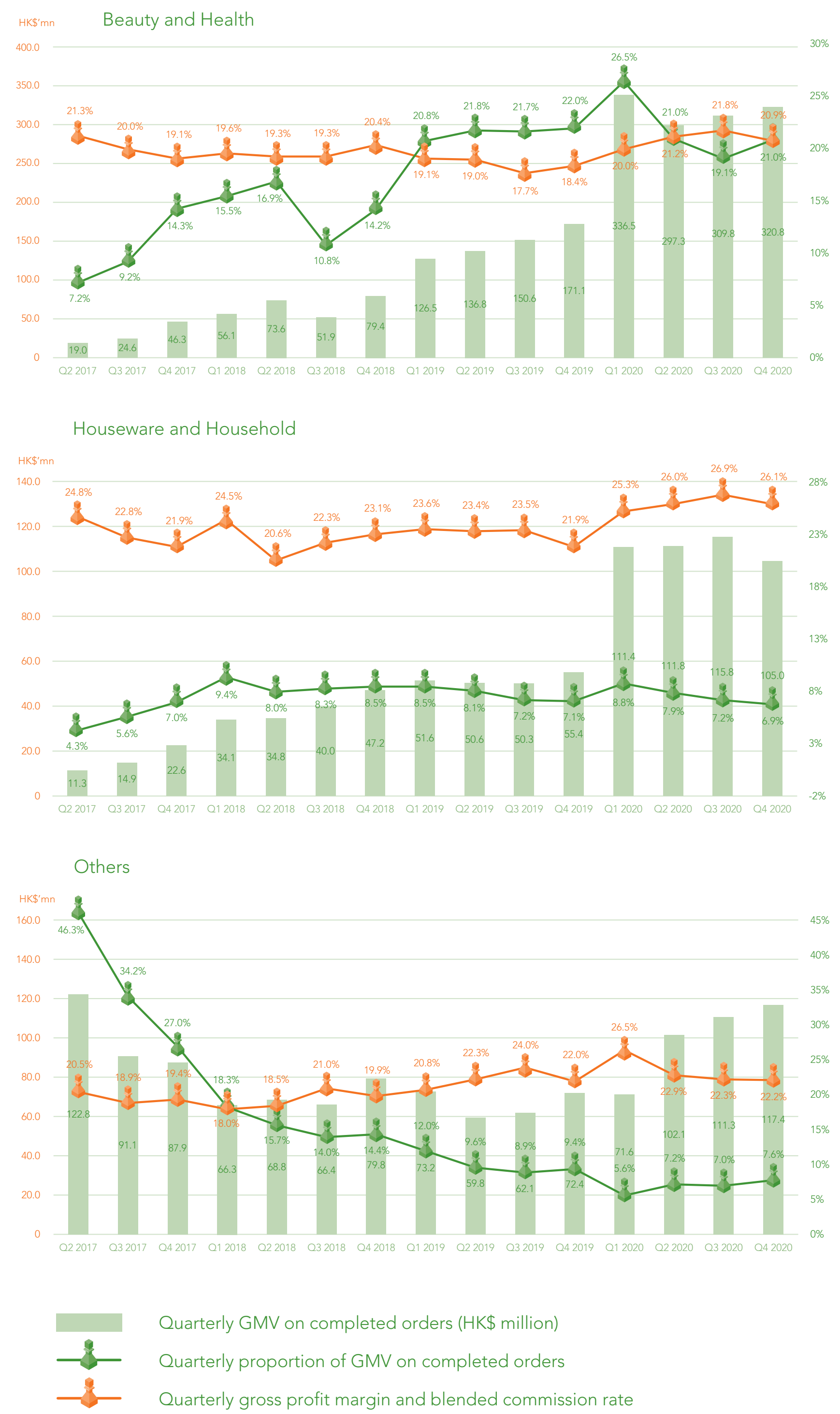
In thousands of Hong Kong dollars unless specified, except for ratios

On completed orders and on adjusted basis[2]	For the year ended 31 December 2020	For the year ended 31 December 2019
Direct merchandise sales		
GMV on completed orders[2,9]	**2,015,536**	1,129,506
Cost of inventories	**(1,463,465)**	(853,258)
Gross profit	**552,071**	276,248
Gross profit margin	**27.4%**	24.5%
Income from concessionaire sales and other service income		
GMV on completed orders[2]	**3,822,604**	1,578,310
Merchant payments (net off by other service income)	**(2,939,871)**	(1,276,219)
Income from concessionaire sales and other service income[10]	**882,733**	302,091
Blended commission rate	**23.1%**	19.1%
Total GMV on completed orders[2]	**5,838,140**	2,707,816
Total gross profit and income from concessionaire sales and other service income[9,10]	**1,434,804**	578,339
Total gross profit margin and blended commission rate	**24.6%**	21.4%
Multimedia advertising income and licensing of programme rights		
Multimedia advertising income	**23,518**	8,203
Other programme license	**286**	1,980
	23,804	10,183
Gross Contribution from Multimedia Business	**1,458,608**	588,522
Gross contribution margin	**25.0%**	21.7%

[9] For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVmall dollars of HK$19,490,000 (2019: HK$4,743,000) and use of promotional coupon of HK$25,720,000 (2019: HK$23,758,000).

[10] For income from concessionaire sales and other service income, it is before the addition of net HKTVmall dollars of HK$1,021,000 (2019: HK$679,000) and included merchant annual fee amortisation and other service income.

On product category basis, the gross profit margin and blended commission rate was also on an overall uptrend in 2020 comparing with 2019 as below:


Beauty and Health
HK$'mn
Houseware and Household
HK$'mn
Others
HK$'mn
Quarterly GMV on completed orders (HK$ million)
Quarterly proportion of GMV on completed orders
Quarterly gross profit margin and blended commission rate

3. **Rising multimedia advertising revenue stream**

   The landlord business model has also opened up a new multimedia revenue stream to HKTVmall. In the past 6 years, we successfully converted 4,200 merchants and suppliers to become online retailers at HKTVmall.

   In 2020, we started to open up certain multimedia advertising spaces and formats at HKTVmall platform and included advertising credit in annual store fee to push and educate merchants to use data to drive sales.

   In 2020, we have earned HK$23.5 million multimedia advertising income and even more excitedly, we are going to harvest more in 2021. As an early bird offer for the 2021 multimedia advertising plan launched since October 2020, we have already received advertising fee commitment of more than HK$50 million. This high margin new revenue stream is indeed a rising star to the eCommerce profitability.

   With the initial launch at Facebook in July 2020, merchants, brand owners and suppliers can promote and introduce their products through live shopping channel. With HKTVmall's extensive media production experience, and full range of top tier production hardware and studios, HKTVmall can provide an end-to-end multimedia production and live advertising service to our merchants, brand owners and suppliers to push for their product sales. The live advertising channel is aided by digital advertisement in different formats at HKTVmall platform. Since January 2021, the live channel is also available in HKTVmall app so that the users can "watch" and "shop" at the same time.

4. **New marketing initiatives to expand customer portfolio**

   During 2020, apart from driving for repeated purchases and to buy more product categories, various marketing initiatives were launched to expand the customer portfolio, among all these, the below three programs were launched in 2H2020 in response to the structural change of online grocery customer behaviour and the preparation for future eWallet and O2O customer journey intergration:

   a. "Weekend Wet Market" program for offline to online consumer conversion on "fresh and chilled products". The result was encouraging — 2H2020 GMV on order intake for this product category was 18x higher than 1H2020;

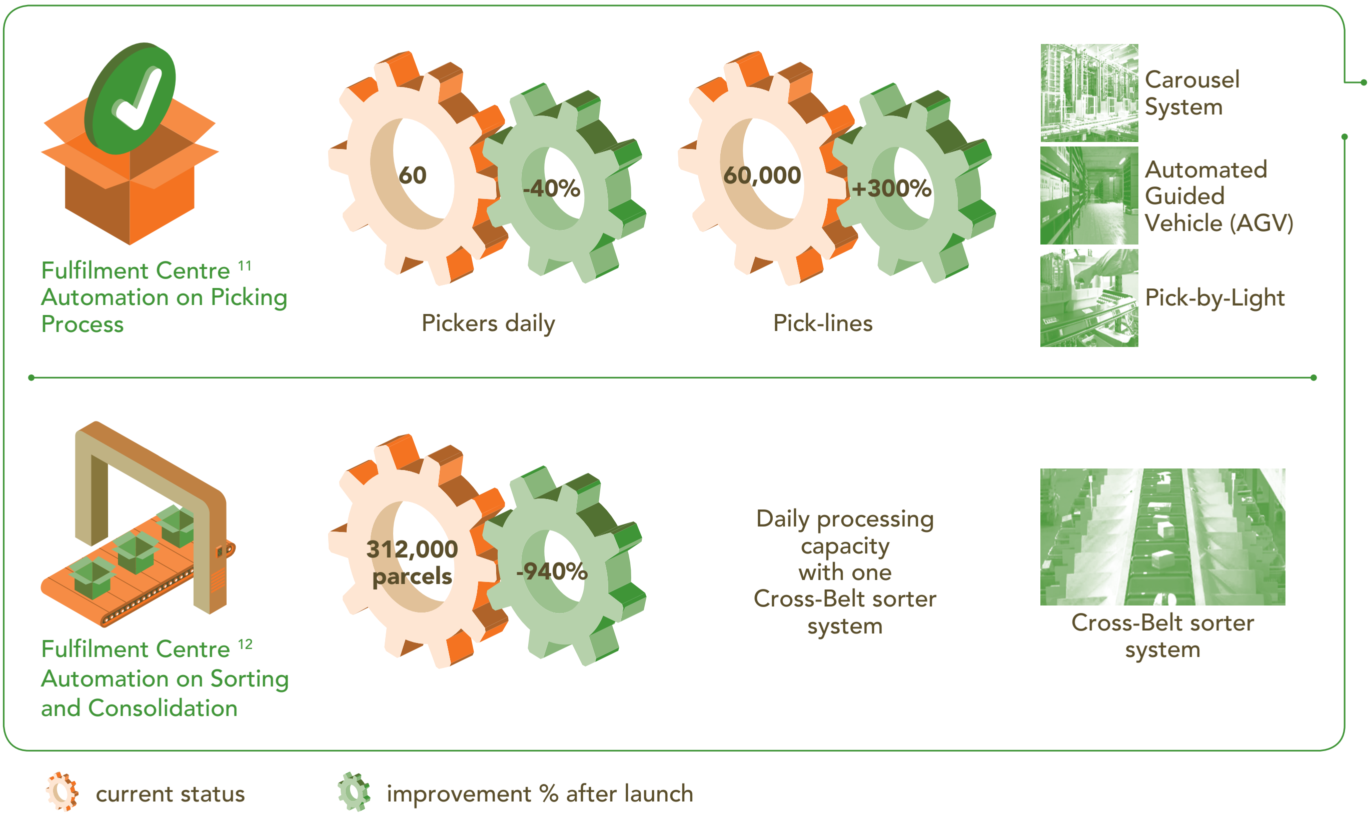
   b. Enhanced HKTVmall Lite App launched — about 50,000 HKTVmall Senior Club members were recruited to extend the online clientele to beyond the age of 60;

   c. Citi HKTVmall co-brand credit card — use of VIP day discount code and HKTVmall Mall Dollar to push for cardholder acquisition and usage, which is an important piece of puzzle preparing for offline-online data integration through HKTVpay.

Execution to manage operating cost efficiency and fulfilment options

Fulfilment costs is the major cost item in eCommerce operation. Running an online hybrid business model is complicated and costly if not adopting the right strategy. At HKTVmall, leveraging on merchants' own warehouse resources for inventory holding and order picking and packing capacity is one way to increase the in-house fulfilment efficiency. Another critical determination factor is the use of automation and robotic system to drive for efficiency gain.

Since 2017, we started to plan for fulfilment automation and after a few years' implementation, we have substantially reduced the reliance on manual process in particular on routine tasks and also increased the fulfilment capacity to cope with business growth. This forward-looking decision back in 2017 brings us the capability to turn the risk from COVID-19 into business opportunity. Below is a summary on the current state with improvement achieved through various robotic systems:

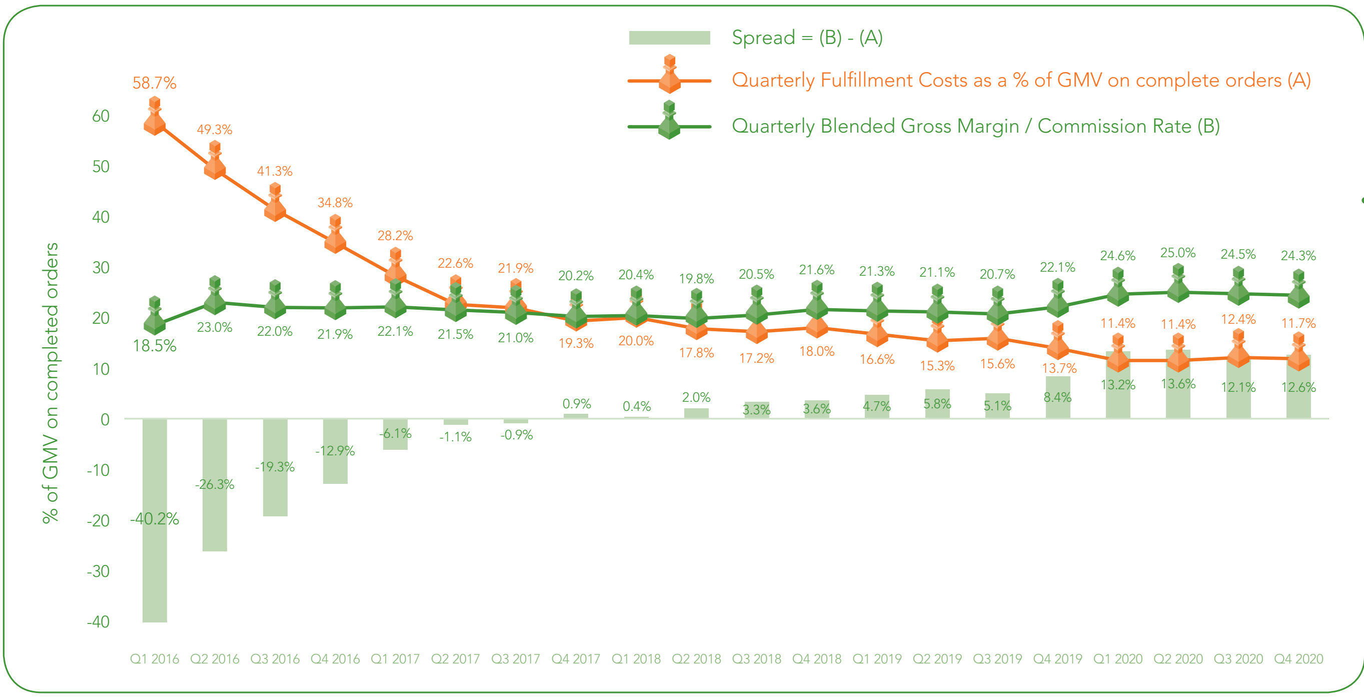


In the past few years, we were in full force in driving a cost-efficient fulfilment capacity through automation for a scalable and profitable business model at HKTVmall. On an overall basis, the quarterly fulfilment costs as a % of GMV on completed orders decreased consistently as a result of automation and economy of scale gained from order growth.

However, the cost % for Q3 2020 has increased to around 12.4% mainly due to the combined effect from sudden surge in GMV on order intake by 44% in July 2020 versus June 2020 and the shortfall in frontline manpower due to the Group's home quarantine policy for Talents and customers' protection. The quick ramp up of additional last mile fulfilment resources, special frontline allowance for COVID-19 and the inventory write off due to unavoidable cancellation for prolonged orders have added incremental costs to operation. But the situation was improved and resumed to normal state during Q4 2020 and the cost % for Q4 2020 decreased to 11.7%.

[11] Various systems launched during March 2018 to March 2019.

[12] Launched since February 2020.



Remark: Quarterly fulfilment costs as a % of GMV on completed orders for 2019 and 2020 are adjusted to exclude interest on lease liabilities of HK$5.9mn (2019: HK$4.8mn) arising from the adoption of HKFRS 16 since 2019.

Other than cost efficiency, during the year, HKTVmall has expanded its fulfilment capacity and options including setting up a small new distribution centre in Cheung Sha Wan in July 2020 mainly for frozen order transit purpose. Moreover, we continued to expand customer order pick up points by expanding HKTVmall O2O shop network, third-party merchant partners and e-locker service, which as of now, already cover 130+ pick up points among different districts in Hong Kong. Our quarterly last mile fulfilment ratio (include HKTVmall delivery and shop pick up only) on order intake remained stable at 98.6% in Q4 2020 versus 98.4% in Q4 2019.

Solution Segment — Shoalter

Further to the Group's 2020 interim results announcement on 27 August 2020, a new business segment was set up to extend our role from digital ecosystem operator to technology enabler. This new business is operated under the brand of "Shoalter" aiming to use our eCommerce technology to change the retail landscape, to enable traditional supermarkets or retailers locally and globally to enter into digital retailing successfully.

In particular on the local market, to accelerate Hong Kong's retail digitalization so as to enrich the online choices for local consumers and to redirect the overseas platform business back to Hong Kong local retail market, Shoalter targets to offer its self-developed and integrated end-to-end eCommerce solution to support and enable the development of 2–3 more online shopping malls in Hong Kong. We aim to have each of the partners who is the market leader in their specific sectors, so as to complement HKTVmall's leading position in the online grocery sector.

During the year, we have certain encouraging development on this new business:

a. In October 2020, we have set up the first overseas Research and Development centre in Taiwan currently having more than 60 technical professionals to support the development of the Solution Business.

b. In December 2020, Shoalter has entered into a definitive eCommerce solution agreement with a retail group in Hong Kong. Shoalter will provide the hardware and software system as a service to the retail group to support the set-up of its online shopping mall. Based on the latest progress, it is expected to be launched in Q3 or Q4 2021.

At HKTV Group, to conclude the performance in 2020, structural consumer behavioral change, solid growth momentum, proven formula for a profitable online shopping mall business, and technical edge to drive for next success at HKTV are the key deliverables brought by the entire HKTV team. We hope COVID-19 situation will be improved in near term, and we look forward to bringing HKTV to the international stage to showcase the success of HKTVmall and to extend Shoalter's solution to overseas and local markets.

FINANCIAL REVIEW

During the year, the COVID-19 pandemic created an unprecedented health and economic crisis on the global economy, however, it also accelerated the transformation of retail industry from offline to online. At HKTV, with the capability we built in the past 6 years, the Group was able to capture the growth opportunities and in 2020, recorded a 115.6% growth on GMV on completed orders reaching HK$5,838.1 million (2019: HK$2,707.8 million).

The Group's turnover increased by 103.5% to HK$2,877.9 million in 2020 (2019: HK$1,414.0 million) which is composed of:

1. HK$1,970.3 million from direct merchandise sales (2019: HK$1,101.0 million);

2. HK$883.8 million from concessionaire sales and other service income (2019: HK$302.8 million); and

3. HK$23.8 million from multimedia advertising income and licensing of programme rights (2019: HK$10.2 million).

With the 79.0% growth in direct merchandise sales, the cost of inventories increased correspondingly to HK$1,463.5 million (2019: HK$853.3 million), representing a 71.5% increase.

In 2020, other operating expenses increased by 49.0% to HK$1,330.9 million relative to HK$893.3 million incurred in 2019. Among the other operating expenses, fulfilment costs, marketing, promotional and O2O shop operating expenses, and eCommerce operation and supporting costs are considered as key operating expenses items for running the business, which as a percentage of GMV on completed orders, has improved by 9.1% in total in 2020 versus 2019.

	2020		2019	
	As a % of GMV on completed orders	HK$ million	As a % of GMV on completed orders	HK$ million
Fulfilment costs (note 1)	**11.8%**	**687.5**	15.2%	412.1
Marketing, promotional and O2O shop operating expenses (note 2)	**4.0%**	**234.1**	6.6%	179.1
eCommerce operation and supporting costs (note 3)	**5.4%**	**317.2**	8.5%	229.4
Total key operating expenses	**21.2%**	**1,238.8**	30.3%	820.6
Major non-cash items (note 4)		**136.3**		100.5
Less: Marketing, promotional and O2O shop operating expenses deducted in turnover		**(44.2)**		(27.8)
Total other operating expenses		**1,330.9**		893.3

Notes:

1. Included depreciation — other properties leased for own use of HK$43.0 million (2019: HK$33.4 million), excluded interest on lease liabilities of HK$5.9 million (2019: HK$4.8 million).

2. Included HKTVmall dollars and promotional coupon of HK$44.2 million (2019: HK$27.8 million) being deducted in turnover, and depreciation — other properties leased for own use of HK$43.7 million (2019: HK$37.0 million), and excluded interest on lease liabilities of HK$2.2 million (2019: HK$2.3 million).

3. Included depreciation — other properties leased for own use of HK$0.8 million (2019: nil).

4. Excluded depreciation — other properties leased for own use of HK$87.5 million (2019: HK$70.4 million).

1) **Fulfilment costs** incurred for warehousing and logistics functions included costs allocation of shop pick up. Improved operational efficiency mainly caused by the full year benefit from the launch of automated picking and warehousing system at Tseung Kwan O Headquarters in March 2019 and the launch of cross-belt sorter system located in Tuen Mun fulfilment centre in February 2020. These systems substantially cut down the manpower costs for picking, stock replenishment process, order sorting and consolidation processes. Besides, efficiency continued to gain from the increasing average daily orders from 15,100 in 2019 to 32,300 in 2020.

   Nevertheless, in Q3 2020, part of the efficiency gain from automation and order growth was net off by incremental fulfilment costs due to the sudden surge in average in GMV on order intake by 44% in July 2020 versus June 2020 and the shortfall in frontline manpower due to the Group's home quarantine policy for Talents and Customers' protection, special frontline allowance for COVID-19 and the inventory write off from the unavoidable cancellation of prolonged orders have added incremental costs to operation. The situation has been improved and resumed to normal state during Q4 2020.

   On overall basis, the total fulfilment costs as a percentage of GMV on completed orders was decreased from 15.2% in 2019 to 11.8% in 2020.

2) **Marketing, promotional and O2O shop operating expenses** included digital marketing, promotional coupon code and HKTVmall Mall Dollar grant, promotional leaflet, O2O shop running and marketing costs, etc., and all related functions' Talent costs. Given the accelerated transformation from offline shopping to online shopping during the year, in particular on supermarket and grocery products, in 2H2020, we invested more resources in driving repeated purchases to strengthen the structural change in consumer behavior, expanding supermarket purchases to include wet market products, recruiting new customers to extend the online clientele to beyond the age of 60, etc.. Moreover, in 2H2020, the Group also aggressively pushed for Citi HKTVmall co-brand credit card acquisition and usage for HKTVpay's development in long term.

   Including the HK$44.2 million (2019: HK$27.8 million) Mall Dollars granted and promotional coupons used which was deducted in the turnover, the total expenses accounted for 4.0% of GMV on completed orders (2019: 6.6%) at HK$234.1 million (2019: HK$179.1 million).

3) **eCommerce operation and supporting costs** includes payment processing charges, merchant relations and acquisition, customer service, information technology, and other management and supporting functions. There was a continued efficiency improvement during the year in which the eCommerce operation and supporting costs decreased from 8.5% of GMV on completed orders in 2019 to only 5.4% in 2020. The increase in absolute costs of HK$87.8 million was mainly for the increase in payment processing charges which was in line with the significant growth in GMV, expanded research and development Talents and the additional discretionary bonus provision for directors.

On 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$19.7 million increase in depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use) mainly due to the full year depreciation effect for the launch of automated picking and storage system in Tseung Kwan O headquarters in March 2019, the depreciation of cross-belt sorter system in Tuen Mun distribution centre launched in February 2020, additional delivery trucks and O2O shops added in 2019 and 2020, and system and network server expansion. Moreover, there was equity-settled share-based expenses of HK$15.1 million recorded in 2020 (2019: HK$0.1 million).

During the year ended 31 December 2020, a valuation loss on investment properties of HK$6.1 million (2019: gain of HK$0.8 million) was recognised based on the valuation carried out by an independent firm of surveyors at year end.

Other income, net, of HK$116.9 million was earned in 2020 (2019: HK$54.4 million), mainly composing of government subsidies recognised during the year of HK$70.9 million (2019: nil), investment returns generated from other financial assets and bank deposits of HK$27.0 million (2019: HK$33.8 million), rental income from investment properties of HK$23.8 million (2019: HK$23.8 million), partially offset by the unrealised fair value loss on units in investment funds measured at FVPL of HK$2.4 million (2019: gain of HK$0.4 million), provision for expected credit losses on debit securities measured at FVOCI of HK$4.5 million (2019: HK$0.7 million) and the net exchange loss of HK$1.6 million in 2020 (2019: HK$4.4 million) mainly due to the depreciation of USD against HKD during the year.

The decrease in bank interest income and returns from investment in other financial assets of HK$6.8 million was mainly due to the realisation of a portion of the investment portfolio to reduce the market and financial risk exposure on investment.

Finance costs is mainly composed of interest on bank loans of HK$1.9 million (2019: HK$5.1 million) and interest on lease liabilities of HK$8.1 million (2019: HK$7.1 million).

Overall, the Group achieved a net profit of HK$183.6 million in 2020 relative to a net loss of HK$289.9 million in 2019 and an adjusted EBITDA profit of HK$307.0 million versus adjusted EBITDA loss of HK$216.0 million in 2019 representing a significant improvement in 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020, the Group had total cash position representing cash and cash equivalents of HK$942.5 million (31 December 2019: HK$149.7 million) and has no outstanding borrowings (31 December 2019: HK$315.0 million was drawn for investment yield enhancement purposes). The increase in total cash position was mainly due to the cash inflow generated from operating activities of HK$608.0 million, the net realisation from investment portfolio of HK$196.8 million, net investment income received of HK$30.0 million, net proceeds of HK$454.0 million from issuance of new shares for exercised share options and placing and subscription during the year, discharge of pledged bank deposit of HK$3.9 million, proceeds received from disposal of property, plant and equipment of HK$0.5 million, partially net off by the capital and interest element of lease rentals of HK$94.2 million, payment made for purchases of property, plant and equipment of HK$88.4 million, net bank loan repayment of HK$315.0 million and interest paid on bank loans of HK$2.9 million.

On investment in other financial assets, the Group has invested, at fair value, HK$342.3 million as at 31 December 2020 (as at 31 December 2019: HK$555.6 million). As at 31 December 2020, there was a net surplus of HK$1.8 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2019: a revaluation surplus of HK$8.2 million). During the year, the total fair value change on other financial assets (after netting of expected credit losses recognised) amounted to deficit of HK$13.5 million (as at 31 December 2019: surplus of HK$23.3 million), in which a deficit of HK$7.0 million (as at 31 December 2019: HK$0.3 million), deficit of HK$2.0 million (as at 31 December 2019: surplus of HK$19.4 million) and deficit of HK$4.5 million (as at 31 December 2019: surplus of 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.

As at 31 December 2020, the Group has not utilised any uncommitted banking facilities (31 December 2019: utilized HK$315.0 million mainly for investment yield enhancement purpose), leaving HK$935.1 million (31 December 2019: HK$624.9 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at banks/financial institutions and in hand, and term deposits within three months of maturity, if any. As at 31 December 2020, the Group had not pledged any bank deposits and as at 31 December 2019, the Group had pledged bank deposits of US$500,000 (equivalent to approximately HK$3,900,000) as security for the bank facilities of US$500,000 (equivalent to approximately HK$3,900,000) granted by a bank for foreign exchange and interest rate hedging arrangement.

The debt maturity profiles of the Group as of 31 December 2020 and 31 December 2019 were as follows:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Repayable within one year	**–**	315,015

The Group was in a net cash position as of 31 December 2020 and hence no gearing ratio was presented. 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 Directors are 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 as and when they fall due.

	31 December 2020 HK$'000	31 December 2019 HK$'000
Net Debt (note (a))	**–**	(165,302)
Net Assets	**2,097,688**	1,451,608
Gearing (times)	**–**	0.11

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

During 2020, the Group invested HK$88.4 million on capital expenditure as compared to HK$139.9 million in 2019. The capital expenditure for 2020 was mainly incurred for balance payment of cross-belt sorter 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.

Fund raising activity

For the purpose of strengthening the Group's financial position and the medium term funding of its expansion and growth plan, 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 ordinary shares of the Company to not less than six independent placees at HK$5.15 per share (the "Placing"), and the Vendor agreed to subscribe for 90,000,000 new ordinary shares of the Company (the "Subscription Shares") at HK$5.15 per share (the "Subscription"). The completion of the Placing and the Subscription took place on 14 February 2020 and 24 February 2020, respectively. The gross proceeds amounted to approximately HK$463.5 million and the net proceeds from the Subscription amounted to approximately HK$453.2 million. The net placing price is approximately HK$5.04 per share. The Subscription Shares represent approximately 10.96% of the issued share capital of the Company as at the date of the Placing Agreement and the Subscription Agreement and approximately 9.88% of the issued share capital of the Company as enlarged by the Subscription. The Subscription Shares have a market value of approximately HK$540.9 million based on the closing price of the shares as at 11 February 2020.

The Company intends to use the net proceeds from the Subscription for (1) expansion of the eCommerce and related business of the Group; and (2) as general working capital, which is consistent with the intentions disclosed in the Company's announcements dated 12 February 2020 and 24 February 2020. Details of the use of net proceeds are as follows:

Intended use of net proceeds	Amount intended to be utilised HK$ million	Amount utilised as at 31 December 2020 HK$ million	Expected timeline of utilisation
Expansion of the eCommerce and related business of the Group:			
(i) Expansion of e-fulfilment centre at Tseung Kwan O Headquarters	200	1.1	By the end of 2022
(ii) Adding the 6th fulfilment centre	40	–	By the end of 2021
(iii) Adding around 200 to 250 delivery trucks	around 90 to 110	19.5	By the end of 2023
(iv) Upgrading computer hardware and software	50	9.4	By the end of 2023
General working capital of the Group	around 53.2 to 73.2	–	By the end of 2023
Total	453.2	30.0	

Charge on Group Assets

As of 31 December 2020, the Group's banking facilities of HK$935.1 million were secured by the Group's other financial assets of HK$342.3 million and cash of HK$361.7 million held by various banks. Moreover, as of 31 December 2019, 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. This pledged bank deposit was discharged during the year.

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 2020 and 31 December 2019, 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.

In addition, performance of the Group's solution business will be affected by factors including but not limited to the attractiveness and effectiveness of our solution offerings in terms of product and services offering, pricing and long term value to clients, maintenance and technical support services, technological innovation and the competitive environment both locally and overseas, such factors cannot be fully mitigated even with careful and prudent business strategy and planning. The Group's progress in signing a definitive eCommerce solution agreement with a Hong Kong retail group in December 2020 may not be indicative of our future performance and ability to attract clients from the local and global market in the future.

As the Group launched its solution business in October 2020, the limited operating history in this business and limited experience of the Group in overseas markets makes it difficult to evaluate the business, potential local and global market opportunities and prospects.

Operational risk is the risk of loss resulting from default on the Group's suppliers, service providers and solution business clients 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 platforms, 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. In particular, any failure to prevent or respond to a major cybersecurity attack or data breach could result in loss of confidential business information, customer data, regulatory fines, business disruption or reputational damage.

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 primarily 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.

PROSPECTS

At HKTV, we shall continue to use technology to drive our strategic direction and business growth. We have accumulated valuable experience on setting up and operating HKTVmall since seven years ago and this experience has formed a solid foundation to extend our role to become a technology enabler for future.

HKTVmall is the dominant local-based online shopping platform in Hong Kong and we shall continue to expand the technical enrichment to completing the digital ecosystem.

Open Databank

In early January 2021, we have launched the phase 1 of Open Databank and currently we have more than 700 active users mainly from existing merchants and academic participants. Data visualization and analytics solution has helped HKTVmall merchants to transform data into actionable marketing strategies more effectively. We shall further open up the Open Databank for additional user groups in the society by phases.

We also announced in February 2021 for a new partnership with HSBC for using HKTVmall merchant data for the credit assessment and monitoring process of their digital trade finance solution. We do expect more collaboration with parties from different industries to apply HKTVmall's data journey to facilitate their commercial or life improvement projects.

In-app Live Shopping Channels

First phase of in-app live shopping channels was launched in early January 2021. At this initial stage of launch, we already had over 170 live shows with an average of more than 25,000 views per show. To most Hong Kong retailers, live shopping channel at shopping app is a new advertising format, and over time, we expect this new function will be an alternative channel for multimedia advertising revenue stream.

Other than the above, HKTV express (1-hour delivery option) and EcoMart (pre-owned goods marketplace) are under the pipeline to launch in Q2 2021, and we will have more enrichments to launch to further enhance the stickiness and bonding between consumers, merchants and suppliers, and HKTVmall.

On Shoalter solution business, we are in discussion with certain local and international supermarket and retail operators exploring co-operation opportunities in Hong Kong and overseas. Given the complexity and high commitment required for building an online shopping mall, together with the cross-border travelling restriction, it is expected that a prolonged commercial discussion window is required.

Overall, with the mission of "one system, multiple malls in multiple countries", we continue to hold our belief on the global retail landscape digitization, which will happen sooner or later. We envisage to bring the Group, HKTVmall and Shoalter to go beyond the geographical boundaries in order to compete with the eCommerce giants globally.

2021 Business Targets

The Board has set the below business targets for the Group in 2021, subject to the development and impact of the COVID-19 pandemic on our business, the local retail market, and local and global economies:

1. GMV on order intake at HK$6.6 billion to HK$7.0 billion, representing a year-on-year growth of 11.0%–17.6%.

   The performance up to February 2021 was in line with our business plan and we project the GMV on order intake for March 2021 will be around HK$520.0 million.

2. Multimedia advertising income of approximately HK$70.0 million.

3. Key operating expenses as a % of GMV on completed orders:

   a. Fulfilment costs at 11.9%;

   b. Marketing, promotional and O2O shop operating expenses at 3.8%;

   c. eCommerce operational and supporting costs at 5.3%.

4. Adjusted EBITDA profit of HK$298.0 million to HK$318.0 million, representing a year-on-year growth of 26.3%–34.7%[13].

TALENT REMUNERATION

Including the Directors, as at 31 December 2020, the Company had 1,818 permanent full-time Talents versus 1,238 as of 31 December 2019. 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.

[13] After excluding the government subsidies of HK$70.9 million received in 2020 which is considered as non-recurring income.

We are pleased to share this report on our environmental, social and governance ("ESG") performance with our stakeholders. As our world continues to change, we will continue to invest time, resources and energy into making our operations more sustainable. Unless otherwise stated, data presented in this report covers our Tseung Kwan O headquarters, O2O shops and fulfilment centres in Hong Kong, as well as the office in Taiwan during the period from 1 January 2020 to 31 December 2020.

This report complies with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in the Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It is prepared based on the reporting principles of materiality, quantitative, consistency and balance as set out in the ESG Reporting Guide.

OUR APPROACH TO ESG

ESG Governance

Strong governance that promotes socially and environmentally responsible practices is a prerequisite for sustainable earnings growth and to protect the interests of our stakeholders. The Board recognises the importance of corporate governance and is committed to the integration of sustainability into our strategic plan and daily operations. With the support of the Board, a cross-functional team of business and functional leaders has been established to oversee the Group's management approach to and performance on ESG issues.

There are growing expectations for companies to provide transparent and reliable insights into their ESG impacts. To achieve our ambition and respond to these evolving expectations, we are now developing a sustainability strategy with performance targets to help create a more sustainable future for people and our planet. This development process starts with an extensive review of works we have done for sustainability in recent years and action areas we know best. In 2021, we will continue to explore our greatest opportunities to have a positive impact on society while creating a competitive advantage for our business.

Compliance and Risk Management

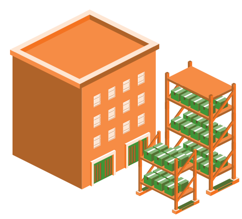
The Group upholds a high standard of accountability and business integrity by implementing effective policies, guidelines and practices. Key updates on legislations relevant to our operations are provided to relevant business functions and Talents to enhance their understanding. During the reporting year, there were no significant reportable cases of non-compliance with applicable laws and regulations in relation to employment and labour practices, product responsibility, anti-corruption and the environment that have a significant impact on the Group.

Effective risk management that takes into account risks and opportunities is crucial to the long-term growth of our business. The Board provides oversight of our risk management, including our management of ESG related risks. Empowered by the Board, the Audit Committee reviews risk management and internal control systems and makes relevant recommendations to the Board, while the management oversees the implementation and reviews ESG and compliance controls. In 2020, the Group conducted an annual review on the risk management and internal control systems, and considered the systems and procedures reasonably effective and adequate with no material deficiencies being identified.

Stakeholder Engagement and Materiality

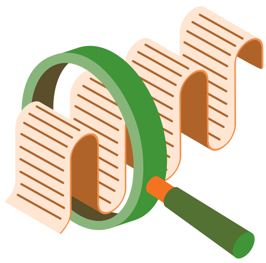
As the largest online shopping mall in Hong Kong, the Group has a large and diverse group of stakeholders. We define stakeholders as those groups and individuals who affect our ability to successfully run our business, and who may be affected by our business operations. We proactively manage a wide variety of stakeholder relationships to foster open dialogue and capture feedback on priority ESG issues.



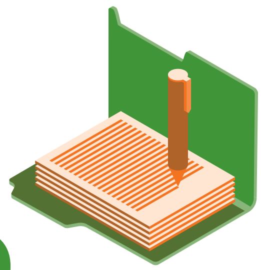

Communities	Customers	Shareholders	Suppliers and Merchants	Talents
— Company's website and social media	— Company's website and social media — Seminars — Enquiry by e-mail — Product rating	— Company's website — Annual reports, interim reports and circulars to shareholders — General meetings with shareholders and investors — Investor meetings and conferences — Press releases and announcements	— Company's website and social media — Industry conferences — Seminars, webinars and workshops — Enquiry by e-mail — On-site visit — Product rating	— Regular meetings — Billboard — Annual appraisal meetings — Intranet and e-mail — Channel for complaints and feedback — Survey

To ensure we act and report on the relevant issues, we review and evaluate them through a process that include assessing our stakeholders' needs. For the purpose of enhancing the ESG engagement inside the Company, we partnered with an independent consultant and conducted a more detailed assessment. From this exercise, we verified and refined our list of issues that we address in this report.



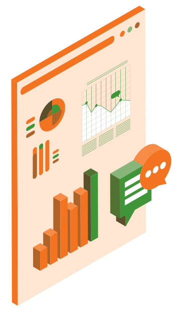
1 Identification

We identified a full list of potential material issues, risks and opportunities by reviewing external trends and standards, media coverage, benchmarking analysis and insights from ongoing engagement.



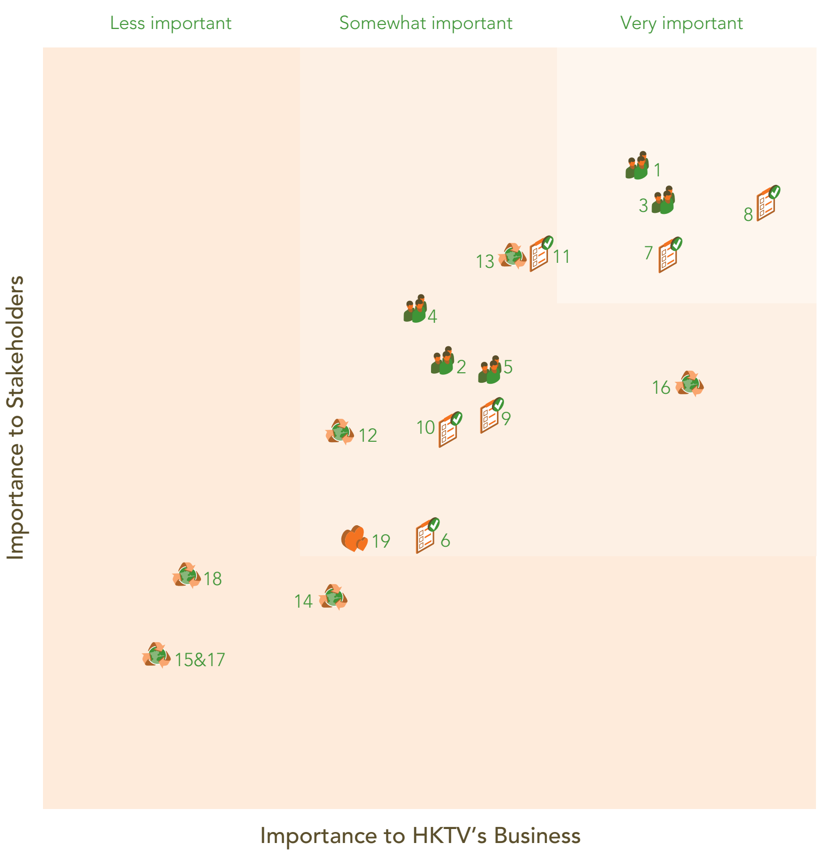
2 Prioritization

We distributed a materiality survey to key stakeholder groups, including select board members and management. The survey included an evaluation of specific sustainability topics. For every question a qualitative scale was used to evaluate the importance of each topics. We collected 20 responses at different functions of the Company from the survey.



3 Validation

Following an analysis of the feedback, we identified four material issues — issues foundational to various licenses required for certain operations and/or with company-specific risk, opportunity or ability to impact and mapped the outcomes, and grouped issues under the 'somewhat important' category into broader themes for reporting. We also mapped the outcomes and results in a materiality matrix, as shown below.



People

1 Employment system
2 Diversity and inclusion
3 Health, safety and well-being
4 Training and development
5 Human rights

Operating Practices

6 Supply chain risk management
7 Product quality and safety
8 Protection of customer information and privacy
9 Responsible marketing and advertising
10 Protection of intellectual property rights
11 Anti-corruption

Environmental

12 Greenhouse gases and air pollutants
13 Waste
14 Energy
15 Water and effluents
16 Materials
17 Climate change
18 Impacts on the environmental and natural resources

Community

19 Community investment

OUR FOCUS AREAS

Our focus areas are material social and environmental topics that matter most to our stakeholders and our business.

Spotlight — Balancing customer privacy and customer experience

Consumers have been hyper-aware of the importance of their personal data. While customer data helps us provide value to our customers and enhance their online shopping experience, we believe transparent and ethical collection and use of data is key to earning and maintaining the trust of our customers.

In addition to our Privacy Policy which explains why we collect information, how we use the information and the choices our customer have about how we use it (such as opting in for direct marketing activities), the Group continues to prioritise development of processes that enhance privacy and incorporate protections into our business strategy, culture and ongoing operations. Frontline Talents receive training and guidelines covering the handling of customer data, which helps them understand relevant regulations and fulfil our corporate privacy commitments.

Additionally, to safeguard our systems and information against evolving cyber challenges, we conduct regular cybersecurity audits and reviews to maintain the highest levels of information security, and continually upgrade security governance and protocols to reflect changes in technology, potential risks and business needs.

Spotlight — Employment system

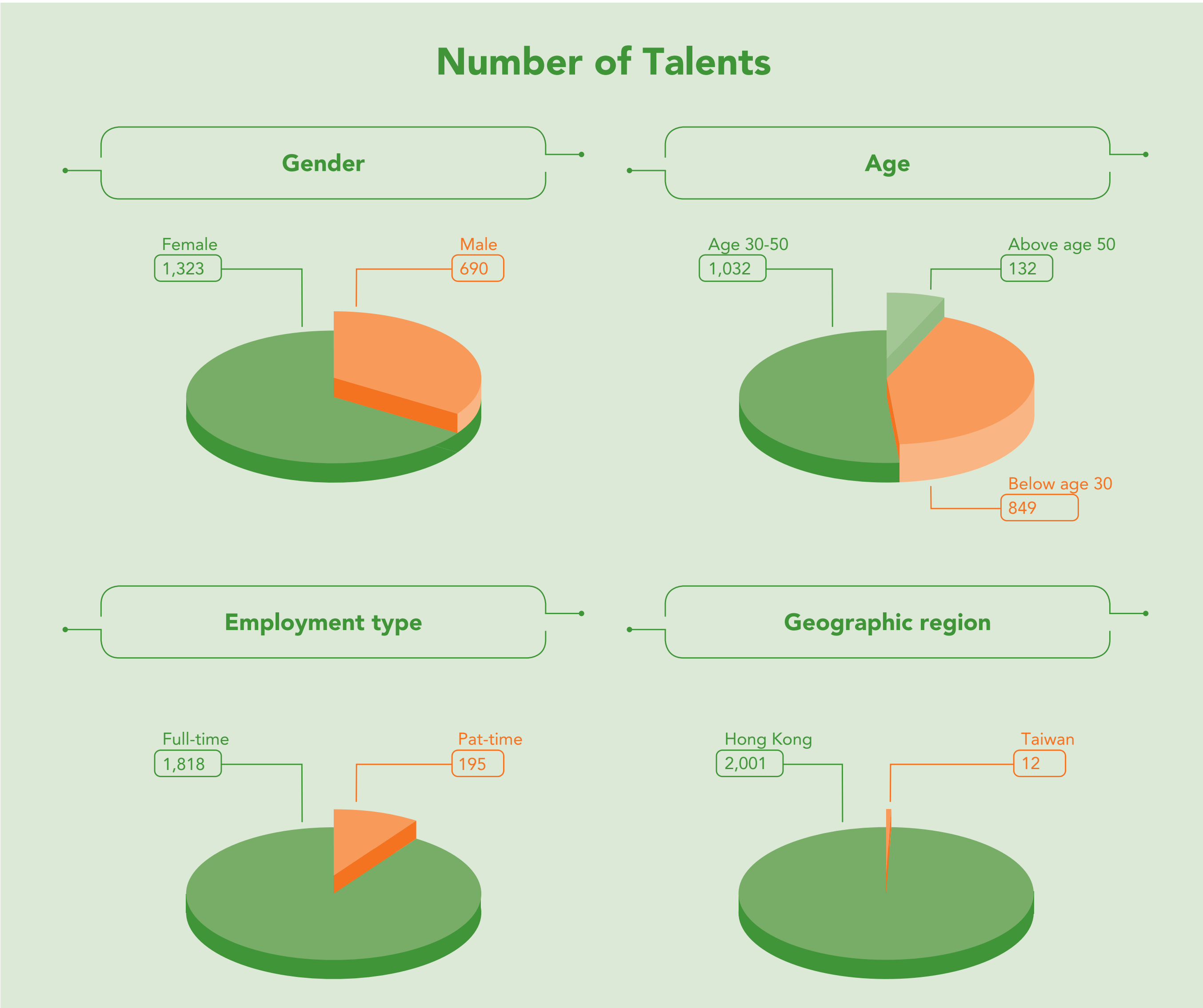
The Group named its employees as "Talents" holding the belief that they are the cornerstone of our business. With more than 2,000 full-time and part-time Talents, we have invested years in promoting a people-centric workplace to ensure our Talents feel safe, cared for and valued at work. This results in our committing to creating an inclusive, decent and fair environment in which our Talents can take pride in their work.

Our Talent Acquisition Department is responsible for Talent attraction and recruitment, and we also have a Talent Management Department that manages matters related to compensation, benefits, legal compliance, workforce planning, performance management, Talent relations and retention. Talent management policies and procedures, including the internal staff code and Employee Handbook, consist of information on Talents' compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and welfare, which bond our practice related Talents and guide us to act in compliance with applicable laws and regulations. Established procedures are also in place to promote human rights and eliminate all forms of child labour or forced labour.

In line with our commitment to offering equal opportunities despite differences, we value individuality and uniqueness, and that means everyone is welcome. Across our operations, we are continuing to build an inclusive culture to unlock the value of our diverse workforce. We offer a broad range of employment opportunities for workers of all ages and aspirations, from teenagers looking for their first job to experienced career professionals and seniors wanting to stay connected in their community.

Recognizing the importance of attracting and retaining Talents to support business growth and maintain a high level of service quality, we regularly review and improve our Talent management policies and benefits packages to ensure that our offer remains competitive in the market. Apart from leave arrangements such as annual leave, marriage leave, maternity leave, paternity leave, exam leave, birthday leave, family care leave, sick leave and compassionate leave, we offer incentives such as flexible working hours, shuttle bus services, shopping discounts, free broadband Internet access, dental allowance, medical and life insurance. In addition, attractive educational partnership allowances are provided to support Talents interested in learning and training activities.

At the end of the reporting period, the Group had a total of 2,013 full-time and part-time Talents. The Talent structure by gender, employment type, age group and geographic region are as follows:



Spotlight — Health, safety and well-being

Safeguarding health, safety and well-being of everyone who works with us is our top priority, as demonstrated in our core corporate values and policies. In line with the Code of Business Conduct and Ethics, we are committed to proactively minimising potential hazards and promoting good health in the workplaces through developing a caring health and safety culture. To maintain our commitment to safety, we have put in place standard operating procedures and detailed guidelines to prevent accidents and ensure compliance with all relevant occupational health and safety legislation.

In addition to regular safety training, we have been introducing innovative solutions that enhance safety performance. One example is the installation of automated and robotic systems at our logistic centres. These new technologies and robotics help reduce the physical demands associated with logistics tasks such as heavy lifting, unloading goods and manual pick packing.

Work-related fatalities and injuries	2020	2019
Number of work-related fatalities occurred	**0**	0
Rate of work-related fatalities occurred	**0**	0
Percentage of number of working days lost due to work-related injuries	**2.61%**	2.05%

We have developed comprehensive emergency guidelines and procedures along with the Employee Handbook to be ready for situations related to weather and other emergencies. In response to an international coronavirus outbreak in 2020, we implemented the following preventive measures:

- Mandatory temperature checking and ensuring all Talents and visitors maintain their hygiene by disinfection of hands and footwear upon entry into our buildings
- Requesting all Talents wear protective equipment properly during work (including eyewear and surgical masks)
- Reminding all Talents to avoid having meals face-to-face with each other
- Carrying out regular environmental cleaning and disinfection of the premises
- Work from home policy for non-frontline Talents
- Hotel quarantine options for frontline Talents for safety and manpower sustainability

Apart from the abovementioned measures, we also set up transparent partitions at the canteen in Tseung Kwan O headquarters to provide separate areas for our Talent to have meals and avoid face-to-face contact with others during meal times.

TALENTS

The Group's training and development strategy aims to nurture a talented and motivated workforce. We equip Talents with core competencies and skills to support their career and personal development, preparing them for future business challenges and opportunities.

Talent Acquisition Direction and Performance in 2020

The Group has a full-time and part-time workforce of over 2,000 Talents to cope with rapid business growth in 2020. During the year, apart from regular placements, we also focus on recruiting Talents for our Logistic and Fulfilment, O2O stores, Customer Service, and Research and Development functions.

Talents for frontline operations are our core foundation. We organized different events such as Open Recruitment Day and Mobile Recruitment Trucks from time to time in order to attract more logistic and fulfilment Talents to join our Group to support the continued business expansion. A large number of Talents for the positions of Courier, Truck Driver and Warehouse Assistant were successfully acquired during the year.

For O2O store operations, our O2O shops have increased to 70 at the year end. The continued expansion plan has caused a restructuring on supervisory and managerial level with additional hiring needed for the positions of Area Manager and Unit Manager for improving service management. We have also conducted mass recruitment for the position of Customer Service Officer to cope with the service quality improvement plan and expanded capacity for business needs.

Research and development Talents are also essential to sustain our business growth as a technology enabler. In October 2020, we had set up our first overseas research and development center in Taiwan in particular for the new business segment as a Technology Solution Provider. We have aggressively expanded our Hong Kong and Taiwan technical teams including frontend and backend programmers, quality assurance engineers, system and mechanical engineers and full stack developer.

Furthermore, to cope with different new business development and service launch, we held various project specific recruitment projects in 2020, for example, the hiring project for our mask factory and HKTV Food Delivery.

To bring the fresh graduate Talent Acquisition process well ahead of university graduation, we held the HKTV Elite Internship Program in 2020 summer. The program aims to provide opportunities for students to bring classroom knowledge to practice at a real workplace, and also provide us the opportunities to identify the best students to build the pipeline of candidates for our Management Trainee Program and Graduate Trainee Program. In 2020, our Customer Service, Finance, Merchant Partnership, Product Management, Product Marketing and Software Quality Assurance functions have joined this summer internship program, equipped with a total of 75 interns.

Management Trainee Program

The HKTV Management Trainee Program is always our distinguished Talent pool for the future C-level corporate executives ("CXO") in the Group. The program was designed to nurture future leaders in 12–18 months, offering passionate and high-calibre graduates the best learning opportunities and career development support to progress them to managerial position. The program included:

1. A cross-departmental attachment program across the Group including Logistics and Fulfilment, International Business, Marketing, Product Management, Merchant Acquisition, Merchant Relation, Quality Assurance, etc. to hone their career interests and to expand their experience horizon.

2. Intensive development series includes interactive classroom training, on-the-job coaching and action learning, to support the trainees' development of managerial and functional competence. When new Management Trainees are on board, management shadowing is arranged for long term role modeling and immediate company culture nurturing.

3. Challenging projects to drive for change and innovation in different functions. Management Trainees are expected to identify problems, conduct research, seek resources and initiate their own cross-department project from their fresh eyes. Through originating, planning and executing new initiatives identified by themselves, they can also develop strong and effective project management and leadership skills when they are young.

Their performance is continuously reviewed during the program and our objective is only the top of the cream are remained at the end of the Program who will proceed to a management role and become the potential for our next CXO Talent Pool. If we look back the last two decades, we have always been able to pick the star from the pool and successfully developed them to being the leader in various areas. There is no rigid career path that limits the potential and imagination, no minimum number of years of experience that keeps one from promotion in HKTV. As long as the management trainees are capable and performed extraordinarily, it will be a rewarding journey.

Ms. Jelly Zhou, our CEO (Hong Kong) and Mr. Kenneth Lau, our CEO (International Business) are the role models of our management trainees — who have embarked their careers as Management Trainees in 2003 and 2004 respectively and have become one of the very few young and bright CEOs of a listed company in November 2020, heading the core businesses of the Group. For our Management Trainees in recent years, they have also taken up important roles in different departments including Product Management, Merchant Acquisition and O2O Store.

Management Trainee Program at HKTV are core to identify future business leaders who shape and formulate the business of the Group. In 2020 Management Trainee Program, the selection process included 4 rounds: written test, appitude test, panel group interview, interview with Group CEO and adventure day to assess the candidates' language skills, logic reasoning, resilience, endurance and their vision as fresh graduates.

Our 2021 Management Trainee Program is now undergoing, this year we have a different set of selection format but the assessment criteria remains the same. We look forward to welcoming our 2021 vintage in a couple of months' time to start their career at HKTV.

Graduate Trainee Program

Apart from the comprehensive Management Trainee Program for recent graduates, our Graduate Trainee Program is designed to nurturing the young Talents in specialized roles and functions. The Group offers opportunities to Graduate Trainees to rotate to different functions within a specific department with the opportunity to train and develop in a professional in respective areas including Logistics and Fulfilment, O2O store operation, Customer Service and Product Marketing. The program aims to guide and support Graduate Trainees to develop industrial knowledge and at the same time, cultivate their management and leadership capabilities. They will be the future leaders for the department.

One of our Graduate Trainees, who joined us 4 years ago for the logistics and fulfilment functions, was promoted to be Warehouse Supervisor after completing the Graduate Trainee Program, and progressed to Assistant Warehouse Manager in 2018. Over the years, she was one of the core project members for the fulfilment automation project and now is in charge of warehouse operation and planning. She believes that the program has given her multiple opportunities and challenges to accelerate herself as a better leader.

Why HKTV is attractive to Research and Development Professionals

HKTVmall is one of the largest eCommerce platforms and online shopping malls in the region. Over the years, our research and development teams have built an end-to-end eCommerce solution, including online shopping mall, order fulfilment system, last mile delivery capability and a series of ecosystem enrichments. All these hard work have made a significant contribution in providing a seamless digital journey to our customers. We are now in the final stage in completing our digital ecosystem in serving our customers every aspect in life. The Group therefore keeps on developing and launching new ecosystem enrichments for HKTVmall such as open databank, HKTVpay, Food takeaway, Live commerce streaming, Pre-owned goods marketplace, digital ad-booking system, etc.

Furthermore, HKTV is now moving beyond our successful eCommerce business and transforming into a technology enabler — Shoalter which offers end-to-end eCommerce solutions and aims to upscale other grocers and retailers around the world to become a leading online shopping mall. The Group has set up a research and development centre in Taiwan as our first global footprint on research and development. We already have 12 Talents for the year ended 31 December 2020 and over 60 Talents as at the date of this report working in Taiwan office.

Since 1992, from City Telecom to Hong Kong Broadband to HKTV, we have long been a game changer, challenging the status quo and the giant players in the market. We are at the forefront of the digital revolution and we expect more Talents will be attracted to strive for success with us to cope with a paradigm shift in the next decade.

Learning and Development Direction and Performance in 2020

The Group has offered a promising development for our 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 and to optimise the skills of Talents. These development opportunities can be taken in different formats as below:

- 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.
- Sponsor Talents with potential skill sets to receive external training for advanced skills and techniques.
- Provide cross-functional job rotation opportunities to enrich our Talents' knowledge and experience on different departments' job character and the operation of the business.
- Formulate training courses by various departments to fit our specific business needs and updates of relevant laws and regulations, including training on product safety, financial knowledge, risk management knowledge, labour regulations and the Talent'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.
- In 2020, in response to the New Normal emerged from the COVID-19 pandemic, the Group also designed new series of workshops for mental health care and efficiency from more flexible-workplace arrangements.

In 2020, the Group's learning and development functions were mainly structured based on the below 6 key areas which was tailor-made to Talents from different professions in the Group:

1. Safety: For Frontline Talents (Logistics, Fulfilment, O2O store Talents) and Office Talents

   The Group considers Talents as the most fundamental assets in our business and thus we have the responsibility in our best endeavor to provide a safe working environment including regular occupational safety and health training programs aiming to prevent incidents rather than deal with accidents. Key elements include briefing on safety working procedures before they start to work, safety guides on using machines and equipment, and create high awareness of COVID-19 precaution measures on the first day of the orientation program for all frontline Talents, with regular refreshment sessions on virtual basis to existing Talents. Other than preventive training, we also introduced self-refreshment program on work safety to reinforce the importance of occupational safety in the Group. Target audience are Talents who have suffered from work injury and the program is conducted by revision on operational procedure manuals, safety video viewing and quiz to assess learning outcome. Only those who have passed the quiz can resume to his work position.

2. Leadership and Supervisory: For Supervisory Talents

   To meet the Group development needs, the Group has provided different kinds of leadership and supervisory training to our Talents to enhance the management skill sets as well as to groom our next generation leaders:

   I. For our **Management Trainees and Graduate Trainees**, a structured 12–18 months fast-track career program is provided to equip them with solid and holistic ground business and operation know-how for a managerial role, including:

      a. job attachment to various business and functional departments such as Merchant Relations, Logistics and Fulfilment, Customer Relation, Product Marketing, etc. to get the essence of the Group's end-to-end eCommerce operation and Technology Solution provisioning.

      b. a series of self-understanding workshop (i.e., DiSC personality profiling), communication and coaching courses are provided to preparing them with the skills and mentality to progress to a future management role.

      c. participating in or even leading challenging cross-functional corporate projects to drive the continuing improvement and breakthrough spirit across the Group.

   II. For our **Supervisory and Managerial Talents**, in 2020, we continued our Talent uplift program — "High Flyer Program" which was tailor-made for 18 high caliber at middle management across 12 departments identified in 2019. The objective of this program is to equip them with different practical soft-skills and knowledge required to progress to senior management level.

      Although the Work from Home ("WFH") arrangement and travelling restriction on our overseas trainers has limited the possibility of face-to-face workshop, we managed to provide them 4 workshops from external professional on Project Management, Creative Problem solving, Presentation skills and Finance for Non-Financial Professionals during the year. Including a couple of high potential junior leaders recommended by department heads and our in-house learning and development professionals for the purpose of "Train the Trainer", a total of 770 training hours was delivered in 2020 for this program. Furthermore, 2 sessions of Competency-based Interview Training Program was held to upload their skillset in screening the right fit Talents for the Group, in particular when interview process is conducted on face-to-face and virtual basis.

3. New Business and Business Partner training:
During the year, we collaborated with a number of well-known retail chains to expand our order pick up network and we also launched certain new businesses and new functions, such as our e-wallet service — HKTVpay, enhanced HKTVmall (Lite) app for elderly group and e-locker pick up service. In order to provide a delightful online-to-offline and offline-to-online shopping experience to our customers, we have conducted a total of 1,157 hours of workshops and field coaching internally and to our business partners covering operational processes, system applications and essential customer orientation skills in handling customers' enquiries.

4. New Normal Series: For Office Talents
As we all know, COVID-19 has changed the world rapidly in 2020 and a New Normal is evolved in particular on day-to-day living and also in the workplace environment. Work uncertainty and WFH working arrangement has inevitably increased Talents' level of pressure in maintaining or driving work efficiency, in particular that when virtual communication has substantially replaced physical meetings.

As a pioneer and the leader of the Hong Kong eCommerce space, we always equip our Talents with proper mentality and skillsets to cope with the dramatic work transition. Therefore, during the year, we have delivered three online workshops. The workshop of "Stress Management" aims to enhance Talents' mental well-being through mindfulness exercises and nutritional psychiatry. For the workshop of "Work Efficiency", we delivered skillsets such as Pomodoro Technique to help Talents to cope with the changing work requirement under this unprecedented situation.

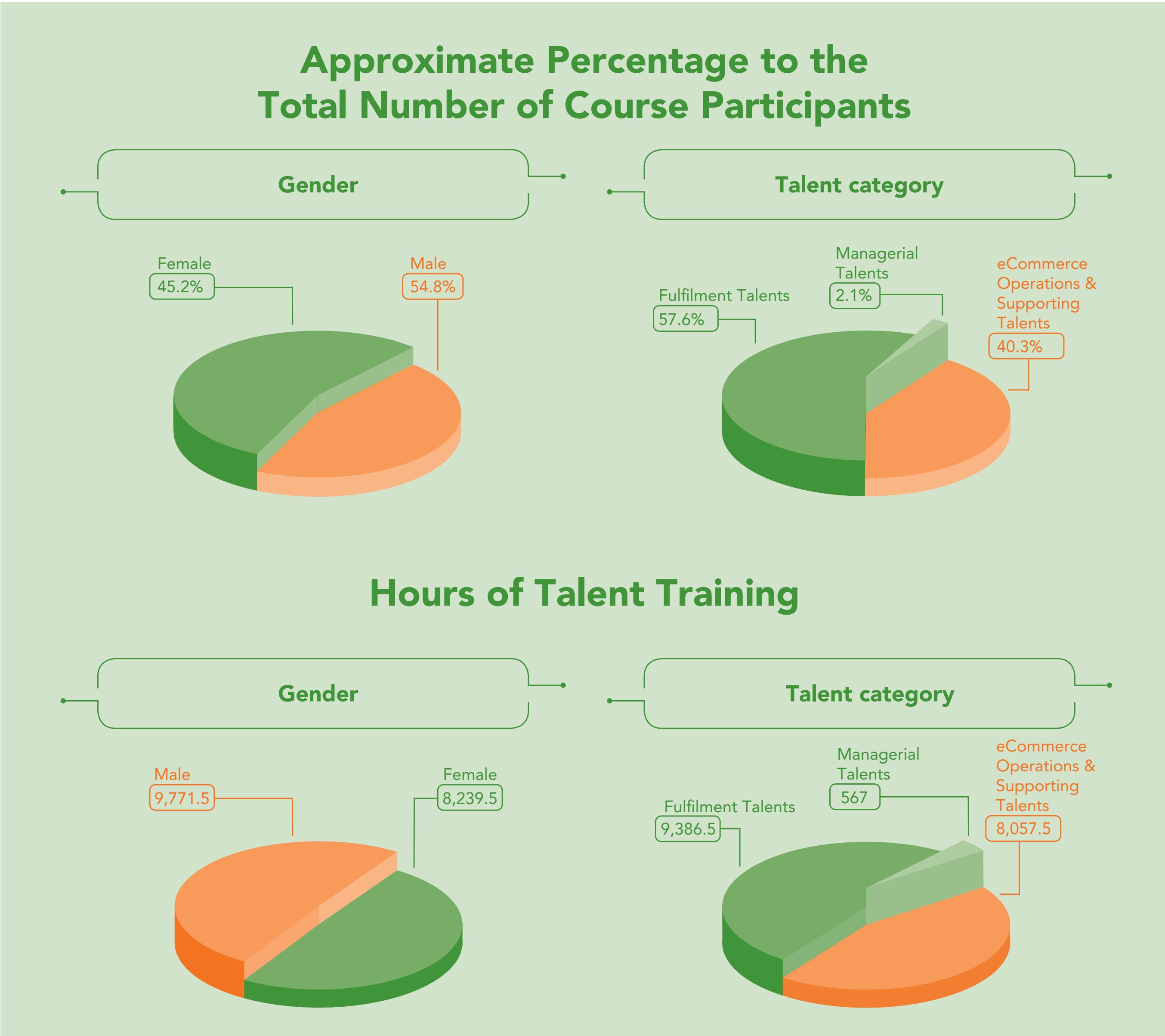
Moreover, while our Talents were under different work-flexibility subject to circumstance change including 100% WFH, Team A/Team B work shift, etc. which has made the usual face-to-face physical meeting no longer workable, we designed another workshop on Online Effective Communication to share some solid tips with the Talents, such as gamification to increase interaction during online communication so that we can all contribute effectively and efficiently during virtual meetings.

5. Customer Satisfaction: Frontline Talents
To deliver delightful customer journey at HKTVmall, we provide continuous training and development workshops to our Talents across different business units. All courses are designed from first hand observation from the Learning and Development team or through detailed discussion with department management team to understand the user needs precisely.

A wide range of training topics are covered including on-boarding orientation workshops and regular refreshment sessions. Training topics include customer journey mapping, Group customer service standards, effective communication skills, customer complaint handling and customer service mindset, etc. which are delivered in lively and interactive formats. Experiential learning methods rather than theory is always used to deliver the training objectives, such as role play and case study, for example, we use daily real cases and situations which our frontline Talents commonly encountered at work for new-join orientation and refreshment training, such as educating customers to be more familiar in using our mobile app, and how to handle demanding customers and address their enquiries effectively. In this way, our Talents could learn from classroom trial and error practice during the training sessions and apply the learnt knowledge and skillset in practice easily.

6. Interdepartmental sharing: For Office Talents
In order to enrich cross department understanding and for business knowledge transfer, we have organized Departmental Sharing sessions and Be a Coach series to all Talents, inviting Talents across teams to share their work functions, their expertise, their achievement and struggles at work and at life, such as introduction on Merchant Ad booking system, Group procurement function and importance, etc. It is a presenter platform to enhance their presentation and coaching skills, and an audience platform to get a more direct and insightful understanding on other departments, and to learn new knowledge. Afterwards, videos are uploaded to our Talents Service Center to enable all Talents to benefit from it anytime and anywhere.

Overall, in 2020, Learning and Development team has enabled a total of 643 training sessions which is equivalent to 18,011 training hours in total. In terms of number of course participants, the distribution is as below:



New Method: Virtual Format

At HKTV, precautions of COVID-19 are always the first priority to protect our Talents, our customers, our business partners and relevant stakeholders. Nevertheless, we did not stop ourselves in Talent learning and development because of the distancing. Rather, while we insist on complying the company and social protective measures, we have adopted several online communication tools like Zoom Video Communications, poll everywhere and kahoot! to continue the learning and development opportunities and also make our training more interactive even in the time of social distancing.

OPERATING PRACTICE

Acting ethically is an integral part of our culture. To provide our services in accordance with applicable laws and our own values, our Code of Business Conduct and Ethics (the "Code") sets out clear standards and strict guidelines about how we do business. With a robust framework of controls, policies and programs, we have built our success on a foundation of rigorous governance practices.

Anti-corruption

Corruption causes financial damage to the offending company, and more importantly, it restricts economic growth and accentuates income inequality. As a socially responsible business, it is our policy to never engage in any form of bribery or corruption. We have implemented effective measures to prevent corruption and bribery throughout the Group in the form of our risk management and internal control system. The Group has an established Corruption and Conflicts of Interest Policy, to provide guidance to Talents in compliance with anti-corruption laws and regulations especially when dealing with donations and gifts. Furthermore, a series of training, including orientation training and refresher training, are conducted regularly within the Group to support adherence to various policies and practices including those related to anti-corruption.

In addition, our whistleblowing channels empower our Talents to play an active role in protecting our business. They can seek guidance and report misconduct anonymously to their department heads or the Audit Committee. All reports are handled with care and fairness to ensure that whistleblowers are protected against unfair dismissal, victimisation and unwarranted disciplinary actions.

Ensuring product safety, quality assurance and regulatory compliance

We work with more than 4,200 global and local brand owners, authorised distributors and retailers offering a variety of products and services on our platform. Product safety, quality assurance and regulatory compliance are key facets of our business, and for our suppliers and merchants, they are conditions of working with us. For both food and non-food products, we require our business partners to comply with regulatory requirements as well as to meet or exceed our quality, safety and performance requirements. Our due diligence process and verification checks allow us to monitor the quality of the products and services placed on our platform, and to liaise with merchants to address any product quality or compliance issues.

Through the Rapid Alert System of the Centre for Food Safety, we can more easily collect and maintain important information about our merchants' and suppliers' compliance with food safety standards. It also allows us to quickly move products offline in the event of a potential food safety or quality issue and recall concerned products. In the event of product recall, we ensure our customers have the right to seek redress where their health and safety are affected, and we will alert customers who may have purchased affected products when necessary, to protect their health and safety.

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

	2020	2019
Products sold:	**95,711,269**	41,592,273
Products recalled:	**2,192**	1,077
Percentage:	**0.002%**	0.003%

Responsible Marketing and Advertising

As part of our commitment to ethical and responsible operation, we help customers make informed choices and protect their interests by requiring merchants to provide accurate and reliable marketing materials. We work with our business partners to represent product characteristics clearly and accurately, especially when it comes to health and nutrition benefits. To help customers make purchase decisions that are right for them, we require all suppliers and merchants to follow all applicable laws and regulations related to marketing and trade practices.

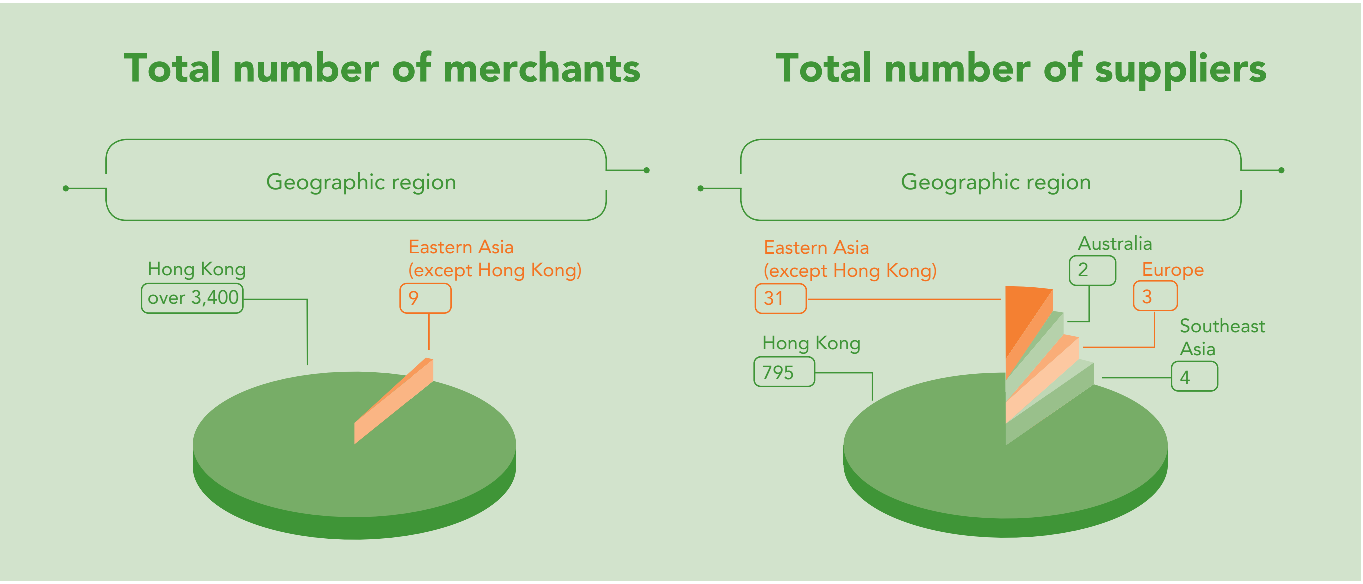
We also encourage open and constant communication with our customers through a wide range of communication channels, including social media platforms, chatbot and customer service hotline for Gold VIP members. In addition, we have established procedures for handling customer complaints. Upon receipt of a complaint, the relevant situation will be investigated and assessed in accordance with the Group's policies. Based on the results of the investigation, if the complaint is substantiated, we will liaise with the customer concerned and offer special arrangements, such as offering refunds, returns, replacement or Mall Dollars. The Customer Service Department and Corporate Communications Department also regularly review customer feedback as it provides deeper insights into elements of the shopping experience that are most important to customers and allows us to continually improve the customer experience.

Protection of Intellectual Property Rights

We highly respect intellectual property rights, including trade marks and copyrights. The Group has set out internal regulation procedures for handling intellectual property and confidential information. In the course of our business activities, Talents are required to comply with the applicable legal requirements to protect the confidentiality of all privileged information provided to us.

Supply Chain Risk Management

We focus our engagement with suppliers and merchants during the onboarding process and continue it through ongoing meetings and other communication channels. To minimise negative impacts and increase positive influence in our supply chain, we expect our suppliers and merchants to follow our standards for ESG performance, which are stated in the Group's policies. We monitor our supply chain for corporate governance and regulating compliance in various ways, including screening, obtaining certification documents and safety registration certificates and verification checks.



ENVIRONMENT

Our approach to environmental stewardship is twofold — we aim to minimise the environmental impacts from our activities and work in partnership with stakeholders to contribute to a resilient environment. Our ESG policy includes the principles that guides us on waste minimisation and recycling, carbon reduction, pollution control and responsible use of energy, water other natural resources. It does not only provide us with a framework to ensure legal compliance and manage environmental risks across our operations, but also practical guidelines on how we communicate with our suppliers and merchants.

Waste and Resource Management

We manage and reduce waste generated by employing proper waste handling and monitoring practices. For non-hazardous waste, non-recyclable waste was collected and directly sent to landfills by contracted handlers. The recyclable waste generated by our fulfilment centres was either reused or recycled. For example, the unwrapped cardboards and used bundling plastic materials are sent to the recycling companies for recycling instead of disposing as general waste. Disposal of hazardous waste such as computer equipment and certain electrical appliances were handled by waste collectors licensed by the Environmental Protection Department and in compliance with the Waste Disposal Ordinance.

Waste[14] (in kilograms)	2020
Recycled paper	**157,000**
Recycled plastics	**11,500**

Spotlight — Promoting packaging reduction beyond our operations

While packaging is important for preserving product quality, we recognise its negative impact on the environment, particularly single-use and plastic packaging. With this in mind, we seek to optimise transportation packaging, focusing on reducing unnecessary packaging and increasing packaging recyclability. Since 2017, we have been replacing the use of carton boxes and paper bags with reusable plastic containers for delivery purpose, and preparing packaging materials with different sizes in advance to avoid excessive wastage caused by oversized packaging.

Packaging materials (in kilograms)	2020	2019
Total of advertising materials used	**33,162**	22,487
Intensity of advertising materials used (in kilograms/$ million GMV on completed orders)	**6**	8
Total of paper used, excluding packaging and advertising materials	**19,240**	19,150
Intensity of paper used (in kilograms/$ million GMV on completed orders)	**3**	7
Total of packaging materials used[15]	**738,060**	416,263
Intensity of packaging materials used (in kilograms/$ million GMV on completed orders)	**126**	154

Clean water remains a scarce resource in many parts of the world today. With shared hearts and minds, we aim to reduce the environmental impact in our operations by managing water consumption and wastewater discharge. We focus on water conservation and water efficiency. For example, we perform periodical checks and maintenance of our water supply system, and sensor-activated taps are installed to avoid the water wastage from neglecting to turn off the tap.

Water[16] (in cubic metres)	2020	2019
Total of water consumption	**16,190**	13,162
Intensity of water consumption (in cubic metres/$ million GMV on completed orders)	**3**	5

Carbon Management

The Group's carbon emissions for 2020 are summarized as below. We have a history of reducing carbon intensity through investments in energy efficiency, truck improvement and refrigerant emissions reduction measures. Our carbon emissions intensity (in kilograms of CO2 equivalent per $ million GMV on completed orders) continues to show a declining trend decreasing from 3,085 in 2019 to 1,940 in 2020.

14 As an eCommerce operator, the Group does not generate a significant amount of hazardous waste. For non-hazardous waste, which mainly generated from daily operations, the Group does not currently collect such data, but will establish a system to collect such data in the future.

15 Including paper shopping bags, labels, paper boxes, plastic shopping bags, packing tape, packaging bubbles and stretch film.

16 The data presented covers the headquarters in Tseung Kwan O, the fulfilment centres in Tseung Kwan O, Tuen Mun, Tsing Yi and Kwai Chung, and O2O shops.

GHG emissions (in kilograms of CO2-e)	2020	2019
Direct GHG emissions (Scope 1) [17]		
— Mobile combustion source	3,661,574	2,643,593
Energy indirect GHG emissions (Scope 2)		
— Purchased electricity[18]	7,661,673	5,709,737
Total GHG emissions	11,323,247	8,353,330
Total intensity of GHG emissions (in kilograms of Co2 equivalent/$ million GMV on completed orders)	1,940	3,085

Spotlight — Identifying and assessing climate risks and opportunities

As climate change and its impact on businesses and future generations gain more and more public attention, we recognize that climate protection must be afforded sufficient importance in internal operations, such as formulating clear guidelines and environmental targets, in order to minimize the impact of our activities to the environmental and manage the potential threats posed by climate change. In 2021, we formulated our first Climate Change Policy Statement.

Spotlight — Increased proportion of alternative drive systems to reduce air pollution

Burning fossil fuels results in local air pollutants (such as nitrogen oxides, sulfur dioxide and particulate matter) and negatively impacts air quality, especially in urban areas. As there is still no single solution for significantly reducing fossil fuel consumption or avoiding emissions in logistics, we continuously explores ways to minimize our emissions with innovations and technological solutions such as developing an App for couriers whereby delivery routes are optimized. Besides, we continuously upgrade our conventional vehicles in accordance with the latest emissions standards. By the end of 2020, 93% of vehicles in our delivery fleet were compliant with Euro 5 or Euro 6 standards, or zero-emission vehicles.

The Group uses the refrigerant type R-404A in our owned delivery fleets which is an ozone-friendly refrigerant. Nevertheless, the Group continues to explore viable refrigeration solutions with a lower global warming impact.

Air pollutants (in kilograms)	2020
Nitrogen oxide	19,045
Sulphur oxide	21
Respirable suspended particle	918

[17] The data presented covers the emissions generated from diesel oil consumption of the Group's owned vehicles.

[18] The data presented covers the headquarters in Tseung Kwan O, the fulfilment centres in Tseung Kwan O, Tuen Mun, Tsing Yi and O2O shops.

Energy Management

We recognise the importance of conserving natural resources across our operations. Our long operating hours of our logistics and store operations place high demands on energy consumption. In 2020, the total of energy consumption was 25,081,415 kWh. The intensity of energy consumption was 4,296 kWh/$ million GMV, which markedly decreased by 36.7%, compared with the previous reporting year.

Headquarters	Fulfilment Centres	O2O Stores
We are committed to improving our properties' energy consumption and efficiency. Our Talents reduce energy intensity through regular energy tracking, facility replacement and upgrade, awareness promotion and internal benchmarking.	We operate a delivery fleet of around 350 vehicles daily, including refrigerated trucks and outsourced vehicles. By introducing suitable measures, we have paved the way for sustainable logistics and have worked together with our contractors to identify key action areas to improve our energy efficiency so as to reduce our carbon and air emissions.	Our large portfolio of stores contributes significantly to our energy consumption. We track and manage our energy use in O2O stores, and seek to minimize leakage from our air conditioning and refrigeration units.

Use of energy	2020	2019
Direct energy consumption		
— Diesel oil (in Litre)	**1,320,737**	953,845
Indirect energy consumption		
— Purchased electricity (in kWh)	**10,945,247**	8,156,767
Total of energy consumption (in kWh)	**25,081,415**	18,366,002
Intensity of energy consumption (in kWh/$ million GMV on completed orders)	**4,296**	6,783

COMMUNITY

"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. We foster close relationship with the neighbourhoods in which we operate to establish HKTV as a trusted community partner and promote social well-being. As stated in our ESG Policy, we strive to better understand the needs of the community through different communications channels so as to identify and work out the most appropriate programs.

We also donated 50 tonnes of food to HK Paws Guardian and Little Sisters of the Poor St. Joseph's Home for the Aged, in the hope of supporting these organisations and in turn caring for animals and the elderly.

In September 2020, we partnered with BE-KIND and Make-A-Wish Hong Kong in a charity sale. Through the charity sale, approximately HK$280,000 was donated to Make-A-Wish Hong Kong to create life-changing wishes for children with critical illnesses as well as spreading the message of hope and kindness to the public.

Spotlight — Connecting with communities in times of the pandemic

We are always mindful of the special needs of the community particularly in challenging times. At the time of publishing this report, we are still dealing with the global pandemic of COVID-19. The outbreak presents an unprecedented challenge to everyone. As a local Hong Kong company, the Group has devoted much efforts and resources to provide food for all and safety for people who are vulnerable under the pandemic.

During the COVID-19 outbreak, we are prioritising keeping stores open, clean and stocked so we can provide healthy, affordable food and essentials for everyone. During the initial stocking-up period, we monitored prices and movement for high-demand items, encouraging customers to shop responsibly. We continue to monitor potential supply chain impacts, adjusting sourcing as needed to ensure a strong supply of food and essentials.

In early 2020, COVID-19 caused a dramatic local shortage of face masks. To enhance our capacity to collectively respond to this epidemic, the Group set up two mask production lines in Tseung Kwan O headquarters. This public health crisis also affected senior citizens disproportionately, who face difficulties when purchasing groceries. In view of this, HKTVmall further promoted its simple version of the HKTVmall (Lite) App. This App, with a clear interface, large pictures and fonts, support voice and other elderly-friendly features, is designed for the elder adults who have less online shopping experience. In addition, Talents in O2O stores were trained to teach and encourage the elderly to learn online shopping, which helped them reduce frequent outings to buy daily necessities and carry heavy items during the epidemic.

We also launched an Elderly Club recruitment program to provide cash coupons with a value of HK$150 to each senior citizen upon registration of the HKTVmall (Lite) App.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHEUNG Chi Kin, Paul

Chairman

aged 63, 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 a member of the Executive Committee and Investment Committee of the Company as well as 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, Group Chief Executive Officer and an Executive Director of the Group.

Mr. WONG Wai Kay, Ricky

Vice Chairman & Group Chief Executive Officer

aged 59, is the co-founder of the Group and has been the Vice Chairman of the Company since 1 January 2020. He was the Chief Executive Officer of the Company from 1 January 2020 to 31 October 2020, and has been re-designated as the Group Chief Executive Officer since 1 November 2020. Mr. Wong had been the Chairman of the Group until 31 December 2019. He is the chairman of the Investment Committee and a member of the Executive Committee of the Company as well as a director of certain subsidiaries of the Group. Mr. Wong is primarily responsible for the overall strategic planning and management of the Group and the business direction of the Hong Kong and international business operations of the Group. Mr. Wong possesses extensive and successful experience in liberalisation of the telecommunications market, popularising advanced technology and applications, as well as corporate management and leadership. In 1992, Mr. Wong co-founded the Group and was the first to provide alternative international telecommunications services in Hong Kong, leading to the subsequent market liberalisation. In 1999, Mr. Wong was engaged in the establishment of territory-wide fibre optics network, providing high speed broadband, telephony and IP-TV service. 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. Currently, Mr. Wong is a member of the Board of Trustees of United College, The Chinese University of Hong Kong. Mr. Wong is a first cousin of Mr. Cheung Chi Kin, Paul, the Chairman and an Executive Director of the Company.

Ms. WONG Nga Lai, Alice

Group Chief Financial Officer & Company Secretary

aged 46, was appointed as the Executive Director, Chief Financial Officer and Company Secretary of the Company in May 2012, and is a member of the Executive Committee and Investment Committee of the Company as well as a director of certain subsidiaries of the Group. She has been re-designated from Chief Financial Officer to Group Chief Financial Officer of the Company with effect from 1 November 2020. Ms. Wong leads the finance, investor engagement, talent acquisition and management, legal and company secretarial, and administration functions of the Group. She is one of the core drivers on the Group's strategic and corporate development on the eCommerce business and Technology Solution business. Prior to that, Ms. Wong was the Financial Controller of the Group. She has extensive experience in financial management, corporate finance and global investor relations, in particular on the telecommunications, multimedia and eCommerce industries. Ms. Wong holds a Bachelor of Commerce degree from the University of Queensland, a Master of Business Administration degree from the Hong Kong University of Science and Technology and a Postgraduate Diploma in Corporate Governance. She is a qualified member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Association of Chartered Certified Accountants (ACCA). She has been a member of the Student Affairs Sub-committee of ACCA Hong Kong since 2010, 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.

Mr. LAU Chi Kong

Chief Executive Officer (International Business)

aged 39, was appointed as an Executive Director of the Company on 1 December 2017. Mr. Lau had been the Chief Operating Officer until 31 October 2020, and has been re-designated as the Chief Executive Officer (International Business) of the Company with effect from 1 November 2020. He is a member of the Executive Committee of the Company as well as a director of certain subsidiaries of the Group. Mr. Lau is primarily responsible for the business direction and development of the international business operations of the Group including eCommerce solution business by Shoalter Technology Limited, the technology arm 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

Chief Executive Officer (Hong Kong)

aged 39, was appointed as an Executive Director of the Company on 1 December 2017. Ms. Zhou had been the Managing Director of Shopping and eCommerce until 31 October 2020, and has been re-designated as the Chief Executive Officer (Hong Kong) of the Company with effect from 1 November 2020. She is a member of the Executive Committee of the Company as well as a director of certain subsidiaries of the Group. Ms. Zhou is primarily responsible for day-to-day management of the Hong Kong business operations including sales and marketing, O2O shop management, customer services, automated fulfilment and logistics functions and development of the Group's digital ecosystem, 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 74, has been an Independent Non-executive Director of the Company 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 68, was appointed as an Independent Non-executive Director of the Company in September 2013. Mr. Mak has also been appointed as a member of the Audit Committee, Nomination Committee, Remuneration Committee and Investment 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.

Mr. PEH Jefferson Tun Lu

aged 61, has been an Independent Non-executive Director of the Company since September 2004. He has also been appointed as a member of the Audit Committee, Remuneration Committee and Investment 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.

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 2020.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance and is committed to the maintenance of 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 2020, 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 2020 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 the 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 law, 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 2020 and up to the date of this report is as follows:

Executive Directors

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

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 applicable 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 the Directors.

The biographical information of the Directors is set out in the section of "Profile of Directors and Senior Management" on pages 51 to 53 of this annual 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. Wong Wai Kay, Ricky, Ms. Zhou Huijing and Mr. Lee Hon Ying, John 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, the Chairman of the Board, is primarily responsible for leadership of the Board and overall strategic planning and direction of the Group. Mr. Wong Wai Kay, Ricky,the Vice Chairman and Chief Executive Officer (re-designated as Group Chief Executive Officer with effect from 1 November 2020), 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 business direction of the Hong Kong and international 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 2020, the Board held six 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	Number of meetings attended/held
Executive Directors	
Mr. Cheung Chi Kin, Paul	6/6
Mr. Wong Wai Kay, Ricky	6/6
Ms. Wong Nga Lai, Alice	6/6
Mr. Lau Chi Kong	6/6
Ms. Zhou Huijing	6/6
Independent Non-executive Directors	
Mr. Lee Hon Ying, John	6/6
Mr. Peh Jefferson Tun Lu	6/6
Mr. Mak Wing Sum, Alvin	6/6

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors only without the presence of other Board members during the year under review.

(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 29 March 2021, having taken into account the Company's corporate strategy and the skills, knowledge and experience of the Board members of the Company, the Nomination Committee considered the structure, size and composition of the Board was satisfactory.

THE BOARD (continued)

(ix) Training and Support for Directors

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

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

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 the 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 2020. 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 2019 and for the six months ended 30 June 2020;

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

(iii) reviewed the external auditor's report on the audit of the Company's consolidated financial statements for the year ended 31 December 2019 and review of the Company's interim financial report for the six months ended 30 June 2020; 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 sessions 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	Number of 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 principal duties of the Nomination Committee include the following:

(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	Number of 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 principal duties of the Remuneration Committee include the following:

(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 2020 is set out in Note 10 to the financial statements.

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;

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

(iii) reviewed and approved the conditional or unconditional grant of share options to 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	Number of 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 2020. 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 2020 is set out in the "Independent Auditor's Report" on pages 77 to 81 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 annual general meeting held by the Company on 2 June 2020 (the "AGM").

For the year ended 31 December 2020, the total fee paid to the Company's external auditor, KPMG, in relation to audit related services of the Group amounted to approximately HK$2,573,000. Details are set out below:

Type of Services	FY2020 HK$'000	FY2019 HK$'000
Audit and audit related services	**2,496**	2,415
Non-audit services	**77**	–
Total	**2,573**	2,415

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 (re-designated as Group Chief Financial Officer with effect from 1 November 2020) 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 51 to 53 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 2020, 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 safeguarding 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 AGM was attended by, among others, the Chairman, Chief Executive Officer, Chief Financial Officer, chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, and representatives of KPMG, the external auditor of the Company, to answer questions raised by shareholders at the AGM.

During the year under review, the attendance records of the Directors at the AGM 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	0/1
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.

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 2020, there were no significant changes in the constitutional documents of the Company.

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2020.

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 (i) the provision of multimedia production and contents distribution 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; and (ii) the provision of technology on an integrated end-to-end eCommerce solution including hardware and software systems as a service aiming to enable traditional supermarkets or retailers locally and globally to enter into digital retailing successfully. 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 2020 is set out in the sections headed "Chairman's Statement" and "Management's Discussion and Analysis" from pages 12 to 15 and pages 17 to 32 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 30 to 31 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 17 to 32 and "Environmental, Social and Governance Report" from pages 33 to 50 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 33 to 50 of this annual report.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2020 and the financial position of the Company and the Group as at that date are set out in the financial statements from pages 82 to 148 of this annual report.

ANALYSIS ON FINANCIAL PERFORMANCE

An analysis of the Group's performance during the year ended 31 December 2020 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 17 to 32 of this annual report.

DIVIDENDS

No interim dividend was declared during the years ended 31 December 2020 and 2019.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2020. No final dividend was declared for the year ended 31 December 2019.

Details of the Company's dividend policy are set out in the section headed "Communication with Shareholders" on page 65 of this annual report.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$280,000 (2019: Nil).

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 Schemes" as set out on pages 71 to 75 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 2020, calculated in accordance with the provision of Part 6 of Companies Ordinances (Cap. 622) of the laws of Hong Kong, amounted to approximately HK$1,830,491,000 (2019: HK$1,829,183,000).

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 149 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 2020.

GROUP'S BORROWINGS

The Group's borrowings as at 31 December 2020 are repayable in the following periods:

	2020 **HK$'000**	2019 HK$'000
On demand or not exceeding one year	–	315,015

DIRECTORS

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

Executive Directors

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

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. Wong Wai Kay, Ricky, Ms. Zhou Huijing and Mr. Lee Hon Ying, John 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 51 to 53 of this annual report.

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 2020 are set out in note 10 to the financial statements.

2. The monthly base salary of Mr. Wong Wai Kay, Ricky has been adjusted from HK$600,000 to HK$800,000 with effect from 1 January 2021.

3. The monthly base salary of Mr. Lau Chi Kong has been adjusted from HK$200,000 to HK$158,450 and NT$150,000 with effect from 1 February 2021.

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

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

At 31 December 2020, 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	6.63%
Mr. Wong Wai Kay, Ricky	–	355,051,177 Note (2)(ii)	–	355,051,177	10,000,000	365,051,177	40.06%
Ms. Wong Nga Lai, Alice	50,000	–	–	50,000	4,000,000	4,050,000	0.44%
Mr. Lau Chi Kong	–	–	–	–	4,000,000	4,000,000	0.44%
Ms. Zhou Huijing	–	–	–	–	3,500,000	3,500,000	0.38%

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 911,273,643 ordinary shares of the Company issued as at 31 December 2020.

(2) The corporate interests of Mr. Cheung Chi Kin, Paul ("Mr. Cheung") 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.

  (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 2020, 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 SCHEMES

The Company operates two share option schemes adopted by shareholders of the Company on 31 December 2012 (the "2012 Share Option Scheme") and 2 June 2020 (the "2020 Share Option Scheme") respectively. Under the share option schemes, 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.

The 2012 Share Option Scheme

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 employees, 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 11,904,664 shares, representing approximately 1.31% of the issued shares of the Company as at 31 December 2020.

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.

SHARE OPTION SCHEMES (continued)

The 2012 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 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 SCHEMES (continued)

The 2012 Share Option Scheme (continued)

(10) Details of the share options granted under the 2012 Share Option Scheme as at 31 December 2020 are as follows:

Participants	Date of grant	Exercise price per share HK$	Balance as at 1 January 2020	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Balance as at 31 December 2020	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	1,000,000	–	–	–	1,000,000	23 March 2017 to 28 February 2018	1 March 2018 to 22 March 2027
	27 March 2020 (Note 1)	4.434	–	1,500,000	–	–	1,500,000	27 March 2020 to 26 March 2021	27 March 2021 to 26 March 2030
	27 March 2020 (Note 1)	4.434	–	1,500,000	–	–	1,500,000	27 March 2020 to 26 March 2022	27 March 2022 to 26 March 2030
Mr. Lau Chi Kong	21 February 2017	1.450	1,000,000	–	–	–	1,000,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
	27 March 2020 (Note 1)	4.434	–	1,500,000	–	–	1,500,000	27 March 2020 to 26 March 2021	27 March 2021 to 26 March 2030
	27 March 2020 (Note 1)	4.434	–	1,500,000	–	–	1,500,000	27 March 2020 to 26 March 2022	27 March 2022 to 26 March 2030
Ms. Zhou Huijing	21 February 2017	1.450	500,000	–	–	–	500,000	(Note 2)	(Note 2)
	27 March 2020 (Note 1)	4.434	–	1,500,000	–	–	1,500,000	27 March 2020 to 26 March 2021	27 March 2021 to 26 March 2030
	27 March 2020 (Note 1)	4.434	–	1,500,000	–	–	1,500,000	27 March 2020 to 26 March 2022	27 March 2022 to 26 March 2030
Talents under continuous employment contracts									
Talents	21 February 2017	1.450	393,000	–	–	–	393,000	(Note 2)	(Note 2)
	21 February 2017	1.450	3,630,000	–	540,000 (Note 3)	–	3,090,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
	27 December 2019	3.420	11,269,150	–	–	544,800 (Note 4)	10,724,350	27 December 2019 to 31 December 2020	1 January 2021 to 26 December 2029
	27 December 2019	3.420	11,269,150	–	–	544,800 (Note 4)	10,724,350	27 December 2019 to 31 December 2021	1 January 2022 to 26 December 2029
	14 January 2020 (Note 5)	3.840	–	157,500	–	–	157,500	14 January 2020 to 31 December 2020	1 January 2021 to 13 January 2030
	14 January 2020 (Note 5)	3.840	–	157,500	–	–	157,500	14 January 2020 to 31 December 2021	1 January 2022 to 13 January 2030
Total			48,061,300	9,315,000	540,000	1,089,600	55,746,700		

Notes:

1. The closing price per share immediately before the date of grant was HK$4.75.

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

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$6.63.

4. The options were cancelled during the year under review.

5. The closing price per share immediately before the date of grant was HK$3.75.

SHARE OPTION SCHEMES (continued)

The 2020 Share Option Scheme

A summary of the 2020 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 employees, 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 2020 Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of shares in issue as at the date of adoption of the 2020 Share Option Scheme on 2 June 2020 (i.e. 91,081,364 shares). As at the date of this annual report, no share option has been granted under the 2020 Share Option Scheme since it has been adopted.

The shares which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the 2020 Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

(4) The maximum entitlement of each participant under the 2020 Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2020 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 close associates (as defined in the Listing Rules) (or his associates if such grantee is a connected person of the Company) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

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

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

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

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

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

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

(8) The basis of determining the exercise price

The Board shall determine the exercise price of each option granted but in any event shall not be less than the 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.

SHARE OPTION SCHEMES (continued)

The 2020 Share Option Scheme (continued)

(9) The remaining life of the 2020 Share Option Scheme

The 2020 Share Option Scheme will remain in force for a period of 10 years commencing on 2 June 2020 up to 1 June 2030.

During the year ended 31 December 2020, no share option has been granted under the 2020 Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Schemes" as set out on pages 71 to 75 of this annual report, at no time during the year ended 31 December 2020 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 2020, 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	38.96%

Note: This percentage is based on 911,273,643 ordinary shares of the Company issued as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, 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 2020.

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 2020, 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 54 to 66 of this annual report.

RETIREMENT SCHEME

Throughout the year ended 31 December 2020, the Group operated a mandatory provident fund scheme. Particulars of the mandatory provident fund scheme are set out in note 9 to 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, 30 March 2021

KPMG

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

OPINION

We have audited the consolidated financial statements of Hong Kong Television Network Limited ("the Company") and its subsidiaries ("the Group") set out on pages 82 to 148, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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.

Revenue recognition from the eCommerce business

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

The Key Audit Matter

The Group's eCommerce income, which totalled HK$2,854.1 million for the year ended 31 December 2020, principally comprises revenue from direct merchandise sales (where the Group acts as principal) and commission income from concessionaire 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.

How the matter was addressed in our audit

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.

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, actions taken to eliminate threats or safeguards applied.

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

30 March 2021

CONSOLIDATED

Income Statement

For the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Turnover	2	**2,877,884**	1,413,958
Direct merchandise sales	2	**1,970,326**	1,101,005
Cost of inventories		**(1,463,465)**	(853,258)
		506,861	247,747
Income from concessionaire sales and other service income	2	**883,754**	302,770
Multimedia advertising income and licensing of programme rights	2	**23,804**	10,183
Valuation (losses)/gains on investment properties	12	**(6,050)**	750
Other operating expenses	4(a)	**(1,330,916)**	(893,285)
Other income, net	3	**116,880**	54,377
Finance costs	4(b)	**(10,192)**	(12,509)
Profit/(loss) before taxation		**184,141**	(289,967)
Income tax (expense)/credit	5	**(560)**	54
Profit/(loss) for the year		**183,581**	(289,913)
Earnings/(loss) per share	8		
Basic and diluted		**HK$0.20**	HK$ (0.35)

The notes on pages 88 to 148 form part of these financial statements.

Comprehensive Income

For the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Profit/(loss) for the year		**183,581**	(289,913)
Other comprehensive income for the year	7		
Item 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)		**(4,541)**	4,173
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**(84)**	(7)
Debt securities measured at fair value through other comprehensive income — net movement in fair value reserve (recycling)		**(1,953)**	19,389
		(2,037)	19,382
Other comprehensive income for the year		**(6,578)**	23,555
Total comprehensive income for the year		**177,003**	(266,358)

The notes on pages 88 to 148 form part of these financial statements.

CONSOLIDATED STATEMENT OF
Financial Position

As at 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Non-current assets			
Property, plant and equipment	12	**1,398,110**	1,409,816
Intangible assets	13	**59,686**	72,826
Goodwill		**897**	897
Long-term receivables, deposits and prepayments		**28,984**	24,658
Other financial assets	16	**324,119**	472,284
		1,811,796	1,980,481
Current assets			
Other receivables, deposits and prepayments	17	**109,360**	90,121
Inventories	15	**126,573**	95,763
Other current financial assets	16	**18,197**	83,268
Pledged bank deposit	29	**–**	3,905
Cash and cash equivalents	18	**942,479**	149,713
		1,196,609	422,770
Current liabilities			
Accounts payable	19	**319,888**	168,718
Other payables and accrued charges	19	**284,879**	177,799
Deposits received		**5,757**	5,757
Bank loans	20	**–**	315,015
Tax payable		**758**	237
Lease liabilities	21	**94,413**	86,358
		705,695	753,884
Net current assets/(liabilities)		**490,914**	(331,114)
Total assets less current liabilities		**2,302,710**	1,649,367

As at 31 December 2020 (Expressed in Hong Kong dollars)

	Note	**Year ended 31 December 2020 HK$'000**	Year ended 31 December 2019 HK$'000
Non-current liabilities			
Deferred tax liabilities	23	**1,227**	1,188
Lease liabilities	21	**203,795**	196,571
		205,022	197,759
NET ASSETS		**2,097,688**	1,451,608
CAPITAL AND RESERVES			
Share capital	22(b)	**1,747,693**	1,293,392
Reserves		**349,995**	158,216
TOTAL EQUITY		**2,097,688**	1,451,608

Approved and authorised for issue by the board of directors on 30 March 2021.

Cheung Chi Kin, Paul
Director

Wong Wai Kay, Ricky
Director

The notes on pages 88 to 148 form part of these financial statements.

CONSOLIDATED STATEMENT OF

Changes in Equity

For the year ended 31 December 2020 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	**Share capital** HK$'000	**Retained profits/ (accumulated loss)** HK$'000	**Revaluation reserve** HK$'000	**Fair value reserve (recycling)** HK$'000	**Fair value reserve (non-recycling)** HK$'000	**Exchange reserve** HK$'000	**Capital reserve** HK$'000	**Other reserve** HK$'000	**Total equity** HK$'000
Balance at 1 January 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
Equity-settled share-based transactions	4(c)	–	–	–	–	–	–	120	–	120
Share options forfeited reclassified to retained profits	11	–	58	–	–	–	–	(58)	–	–
Balance at 31 December 2019 and 1 January 2020		1,293,392	(60,021)	183,338	5,499	2,710	(73)	28,589	(1,826)	1,451,608
Changes in equity for 2020:										
Profit for the year		–	183,581	–	–	–	–	–	–	183,581
Other comprehensive income	7	–	–	–	(1,953)	(4,541)	(84)	–	–	(6,578)
Total comprehensive income		–	183,581	–	(1,953)	(4,541)	(84)	–	–	177,003
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits		–	(51)	–	–	51	–	–	–	–
Shares issued under share option scheme	22(c)	1,094	–	–	–	–	–	(311)	–	783
Issuance of new shares	22(d)	453,207	–	–	–	–	–	–	–	453,207
Equity-settled share-based transactions	4(c)	–	–	–	–	–	–	15,087	–	15,087
Share options cancelled reclassified to retained profits	11	–	35	–	–	–	–	(35)	–	–
Balance at 31 December 2020		1,747,693	123,544	183,338	3,546	(1,780)	(157)	43,330	(1,826)	2,097,688

The notes on pages 88 to 148 form part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Net cash generated from/(used in) operating activities	24(a)	**607,979**	(172,386)
Investing activities			
Payment for the purchase of other financial assets		**(20,000)**	(3,446)
Proceeds received from disposal of other financial assets		**151,270**	121,107
Proceeds received from maturity of debt securities		**65,508**	23,516
Proceeds received from maturity of pledged bank deposit		**3,905**	–
Interest received		**25,269**	33,449
Dividend and investment income received		**4,705**	5,457
Payment for the purchase of property, plant and equipment		**(88,355)**	(139,942)
Proceeds received from disposal of property, plant and equipment		**483**	50
Net cash generated from investing activities		**142,785**	40,191
Financing activities			
Capital element of lease rentals paid	24(b)	**(86,100)**	(57,727)
Interest element of lease rentals paid	24(b)	**(8,071)**	(7,119)
Proceeds from new bank loans	24(b)	**343,327**	2,468,447
Repayments of bank loans	24(b)	**(658,342)**	(2,232,824)
Net proceeds from issuance of new shares	22(d)	**453,207**	–
Proceeds from shares issued under share option scheme	22(c)	**783**	9,457
Interest paid on bank loans	24(b)	**(2,871)**	(4,199)
Net cash generated from financing activities		**41,933**	176,035
Net increase in cash and cash equivalents		**792,697**	43,840
Cash and cash equivalents at 1 January		**149,713**	105,901
Effect of foreign exchange rate changes		**69**	(28)
Cash and cash equivalents at 31 December		**942,479**	149,713

The notes on pages 88 to 148 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's result 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

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

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

(c) 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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(e)) 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(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(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(j)(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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 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(t)(iv)).

— 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. It is not recycled through profit or loss. Dividends from investments 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(t)(vi).

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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(t)(v).

(g) Other 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(j)(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(j)(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other 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.

(h) 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(j)(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.

(i) 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

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. 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(i) As a lessee (continued)

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(g) and 1(j)(ii)), expect for the following type of the right-of-use assets:

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

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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(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(t)(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(i)(i), then the Group classifies the sub-lease as an operating lease.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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 and cash equivalents, 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 measured at FVPL and equity investments designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

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

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

— fixed-rate financial assets and other receivables: 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Measurement of ECLs (continued)

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (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).

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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(t)(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.

(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 revalued amounts);

— intangible assets;

— goodwill; and

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Impairment of other non-current assets (continued)

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.

(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(j)(i) and 1(j)(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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories and other contract costs

(i) 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.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(k)(i)), property, plant and equipment (see note 1(g)) or intangible assets (see note 1(h)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(t)). 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(m)).

(m) 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(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks/financial institutions 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 banks/financial institutions and in hand and pledged bank deposit are assessed for ECLs in accordance with the policy set out in note 1(j)(i).

(o) Provisions and contingent liabilities

Provisions are recognised 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Talent benefits

(i) Salaries and leave entitlements

Salaries are accrued in the year in which the associated services are rendered by individuals employed by the Group (hereinafter referred to as "Talents").

Entitlements to annual leave and long service leave are recognised when they accrue to 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.

(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).

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from 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(f), 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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

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

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

  — the same taxable entity; or

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

(r) Interest-bearing borrowings

Interest-bearing borrowings are 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(u)).

(s) Trade and other payables

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

(t) Revenue recognition

Revenue is 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition (continued)

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 is 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 is 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(e)(i)).

(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.

(vii) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Borrowing costs

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

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.

(v) Segment reporting

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

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

(w) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2 TURNOVER AND SEGMENT INFORMATION

Turnover

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

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

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by nature		
— Direct merchandise sales	**1,970,326**	1,101,005
— Income from concessionaire sales and other service income	**883,754**	302,770
— Multimedia advertising income and licensing of programme rights	**23,804**	10,183
	2,877,884	1,413,958
Disaggregated by timing of revenue recognition		
— Point in time	**2,830,839**	1,405,755
— Over time	**47,045**	8,203
	2,877,884	1,413,958

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

Segment information

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

(Expressed in Hong Kong dollars unless otherwise indicated)

3 OTHER INCOME, NET

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Bank interest income	**3,249**	94
Dividend and investment income from other financial assets	**4,705**	5,457
Interest income from other financial assets	**18,249**	30,332
Gain/(loss) on disposal of other financial assets	**784**	(2,063)
Unrealised fair value (loss)/gain on units in investment funds measured at FVPL	**(2,443)**	378
Provision of expected credit losses on debt securities measured at FVOCI	**(4,527)**	(671)
Rentals from investment properties	**23,774**	23,774
Net exchange loss	**(1,601)**	(4,362)
Government subsidies (note (i))	**70,859**	–
Others	**3,831**	1,438
	116,880	54,377

(i) In 2020, the Group successfully applied for funding support which were mainly from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region ("HKSAR"). The purpose of the funding is to provide financial support to enterprises to retain their Talents. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the Talents.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT/(LOSS) BEFORE TAXATION

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

		Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
(a)	**Other operating expenses**		
	Depreciation (note 12(a))		
	— owned property, plant and equipment	**84,376**	64,416
	— right-of-use assets	**108,315**	91,472
	Advertising and marketing expenses (excluding HK$44,189,000 (2019: HK$27,822,000) being deducted in turnover)	**76,099**	66,045
	Auditor's remuneration	**2,496**	2,415
	Loss on disposal of property, plant and equipment	**27**	11
	Write-down and write-off of inventories	**23,383**	6,156
	Talent costs (note 4(c))	**634,766**	398,788
	Amortisation of intangible assets (note 13)	**13,140**	14,827
	Reversal of provision for onerous contract	**–**	(144)
	Total outgoings of investment properties	**1,427**	1,427
	Outsourced fulfilment expenses	**190,366**	104,122
	Payment processing charges	**77,055**	40,269
	Owned motor vehicles running expenses	**28,178**	18,997
	Software licenses and registration fee	**16,588**	15,137
	Utilities, consumables and office expenses	**34,085**	25,469
	Others	**40,615**	43,878
		1,330,916	893,285
(b)	**Finance costs**		
	Interest on bank loans (note 24(b))	**1,855**	5,139
	Interest on lease liabilities (note 24(b))	**8,071**	7,119
	Bank charges	**266**	251
		10,192	12,509
(c)	**Talent costs**		
	Wages and salaries	**596,603**	382,088
	Retirement benefit costs — defined contribution plans (note 9)	**23,076**	16,580
	Equity-settled share-based payment expenses (note 11)	**15,087**	120
	Talent costs included in other operating expenses	**634,766**	398,788

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

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX EXPENSE/(CREDIT)

The provision for Hong Kong Profits Tax for the year ended 31 December 2020 is calculated at 16.5% (2019: 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$2,000,000 of assessable profits are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

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

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Current taxation		
Hong Kong Profits Tax	**521**	237
Deferred taxation		
Origination and reversal of temporary differences (note 23)	**39**	(291)
	560	(54)

Reconciliation between the Group's income tax expense/(credit) and accounting profit/(loss) before taxation at applicable tax rates is as follows:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Profit/(loss) before taxation	**184,141**	(289,967)
Notional tax on profit/(loss) before taxation, calculated at the prevailing tax rates applicable to profit/(loss) in the jurisdiction concerned	**30,356**	(47,964)
Effect of non-taxable income	**(15,301)**	(4,451)
Effect of non-deductible expenses	**6,483**	1,776
Effect of unused tax losses not recognised	**2,153**	51,034
Effect of unused tax losses not recognised in prior years now utilised	**(23,838)**	–
Others	**707**	(449)
Income tax expense/(credit)	**560**	(54)

6 DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2020 (31 December 2019: nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

7 OTHER COMPREHENSIVE INCOME

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

	2020			2019		
	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)	(4,541)	–	(4,541)	4,173	–	4,173
Exchange difference on translation of financial statements of overseas subsidiaries	(84)	–	(84)	(7)	–	(7)
Debt securities measured at FVOCI — net movement in fair value reserve (recycling)	(1,953)	–	(1,953)	19,389	–	19,389
Other comprehensive income	(6,578)	–	(6,578)	23,555	–	23,555

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

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling):		
— Changes in fair value recognised during the year	(4,541)	4,173
Debt securities measured at FVOCI — net movement in fair value reserve (recycling):		
— Changes in fair value recognised during the year	(5,696)	16,505
— Reclassified to profit or loss upon disposal	(784)	2,213
— Reclassified to profit or loss for provision of expected credit losses	4,527	671
	(1,953)	19,389

(Expressed in Hong Kong dollars unless otherwise indicated)

8 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit for the year ended 31 December 2020 of HK$183,581,000 (31 December 2019: loss of HK$289,913,000) and the weighted average of 897,733,000 ordinary shares (31 December 2019: 817,584,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December 2020 '000	Year ended 31 December 2019 '000
Issued ordinary shares at 1 January	**820,734**	814,217
Effect of share options exercised (note 22(c))	**278**	3,367
Effect of new shares issued (note 22(d))	**76,721**	–
Weighted average number of ordinary shares at 31 December	**897,733**	817,584

The calculation of diluted earnings per share for the year ended 31 December 2020 is based on the profit for the year of HK$183,581,000 and the weighted average number of ordinary shares of 932,327,000, after adjusting for the effect of dilutive potential ordinary shares under share option scheme during the year.

The diluted loss per share for the year ended 31 December 2019 was 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.

Weighted average number of ordinary shares (diluted)

	Year ended 31 December 2020 '000
Weighted average number of ordinary shares at 31 December	**897,733**
Effect of deemed issue of shares under the Company's share option scheme (note 11)	**34,594**
Weighted average number of ordinary shares (diluted) at 31 December	**932,327**

(Expressed in Hong Kong dollars unless otherwise indicated)

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 which have been dealt with in the consolidated income statement during the year are as follows:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Gross contributions	**23,076**	16,580

(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 2020:

	Directors' fee 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						
Cheung Chi Kin, Paul	–	2,070	7,000	–	159	9,229
Vice Chairman						
Wong Wai Kay, Ricky	–	7,887	12,000	–	14	19,901
Executive directors						
Wong Nga Lai, Alice	–	2,350	3,440	2,150	229	8,169
Lau Chi Kong	–	2,350	3,765	2,150	229	8,494
Zhou Huijing	–	6,473	–	2,150	140	8,763
Independent non-executive directors						
Lee Hon Ying, John	232	–	–	–	–	232
Peh Jefferson Tun Lu	218	–	–	–	–	218
Mak Wing Sum, Alvin	218	–	–	–	–	218
Total	668	21,130	26,205	6,450	771	55,224

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(a) Directors' emoluments (continued)

For the year ended 31 December 2019:

	Directors' fee 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

(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.

(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 14 January 2020, the Company granted a total of 315,000 share options at exercise price HK$3.840 per share to eligible Talents to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme. The closing share price of the Company's shares immediate before the above grant date was HK$3.75. Such options were granted a 10-year term from the date of grant, among the 315,000 share options, the vesting date is as follows:

(i) 157,500 of which will vest on 1 January 2021; and

(ii) 157,500 of which will vest on 1 January 2022.

On 27 March 2020, the Company proposed to grant a total of 20,900,000 share options at exercise price of HK$4.434 per share to eligible Talents to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme, among the 20,900,000 share options, a total of 11,900,000 share options proposed to be granted to two directors were not approved by the independent shareholders at the Annual General Meeting held on 2 June 2020. The closing share price of the Company's shares immediate before the above grant date was HK$4.75. The remaining 9,000,000 share options granted to the other three directors have a 10-year term from the date of grant, and the vesting date is as follows:

(iii) 4,500,000 of which will vest on 27 March 2021; and

(iv) 4,500,000 of which will vest on 27 March 2022.

(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 ended 31 December 2020, 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.

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	14 January 2020 (vest on 1 January 2021)	14 January 2020 (vest on 1 January 2022)	27 March 2020 (vest on 27 March 2021)	27 March 2020 (vest on 27 March 2022)
Variables				
— Expected life	2 years	1 year	2 years	1 year
— Risk-free interest rate	1.43%	1.43%	0.61%	0.61%
— Expected volatility	49.09%	53.66%	54.59%	66.81%
— 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 interest rate represents the yield of the Hong Kong Government Bonds 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	14 January 2020	27 March 2020
Fair value per share option	HK$0.96	HK$1.25

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 input of highly subjective assumptions, including the expected stock volatility. As the Company's share options have characteristics significantly different from those of traded options, changes in subjective inputs may materially affect the estimated fair value of the options granted.

(Expressed in Hong Kong dollars unless otherwise indicated)

11 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Total equity-settled share-based payment expenses of HK$15,087,000 was recognised in the consolidated income statement (31 December 2019: HK$120,000), with the offset in capital reserve, for the years ended 31 December 2020 and 2019. Particulars and movements of share options during the years ended 31 December 2020 and 2019 were as follows:

	Year ended 31 December 2020		Year ended 31 December 2019	
	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	**2.38**	**48,061,300**	1.46	32,140,000
Granted during the year	**4.41**	**9,315,000**	3.42	22,538,300
Exercised during the year	**1.45**	**(540,000)**	1.45	(6,517,000)
Cancelled during the year	**3.42**	**(65,600)**	–	–
Forfeited during the year	**3.42**	**(1,024,000)**	1.45	(100,000)
Outstanding at the end of the year	**2.71**	**55,746,700**	2.38	48,061,300
Exercisable at the end of year	**1.46**	**24,983,000**	1.46	25,523,000

The weighted average closing share price immediately before the dates on which the options were exercised was HK$6.63 (2019: HK$4.80).

The options outstanding at 31 December 2020 had exercise prices ranging from HK$1.45 to HK$4.43 (2019: ranging from HK$1.45 to HK$3.42) and a weighted average remaining contractual life of 7.8 years (31 December 2019: 8.5 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Construction in progress HK$'000	Investment properties HK$'000	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 1 January 2020	15,031	269,150	680,394	341,192	81,770	9,458	277,744	97,609	83,590	1,855,938
Additions	7,776	–	–	103,169	13,381	1,623	31,952	29,627	17	187,545
Transfer from construction in progress to other assets	(21,298)	–	–	–	–	–	21,298	–	–	–
Disposals	–	–	–	–	(950)	(99)	(14,734)	(1,003)	(33)	(16,819)
Fair value adjustment	–	(6,050)	–	–	–	–	–	–	–	(6,050)
At 31 December 2020	1,509	263,100	680,394	444,361	94,201	10,982	316,260	126,233	83,574	2,020,614
Representing:										
Cost	1,509	–	680,394	444,361	94,201	10,982	316,260	126,233	83,574	1,757,514
Valuation – 2020	–	263,100	–	–	–	–	–	–	–	263,100
	1,509	263,100	680,394	444,361	94,201	10,982	316,260	126,233	83,574	2,020,614
Accumulated depreciation and impairment losses:										
At 1 January 2020	–	–	98,339	70,428	25,282	7,052	132,981	37,323	74,717	446,122
Charge for the year	–	–	20,804	87,511	14,910	1,498	41,582	24,431	1,955	192,691
Written back on disposals	–	–	–	–	(950)	(66)	(14,353)	(907)	(33)	(16,309)
At 31 December 2020	–	–	119,143	157,939	39,242	8,484	160,210	60,847	76,639	622,504
Net book value:										
At 31 December 2020	1,509	263,100	561,251	286,422	54,959	2,498	156,050	65,386	6,935	1,398,110

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

	Construction in progress HK$'000	Investment properties HK$'000	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 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

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2020	**263,100**	**–**	**263,100**	**–**
– 31 December 2019	269,150	–	269,150	–

During the years ended 31 December 2020 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 2020 and 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 (losses)/gains on investment properties" on the face of the consolidated income statement.

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(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 2020 HK$'000	31 December 2019 HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost, with remaining lease term between 10 and 30 years	(i)	**561,251**	582,055
Other properties leased for own use, carried at depreciated cost	(ii)	**286,422**	270,764
		847,673	852,819
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term between 10 and 30 years		**263,100**	269,150
		1,110,773	1,121,969

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

	31 December 2020 HK$'000	31 December 2019 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**20,804**	21,044
Other properties leased for own use	**87,511**	70,428
	108,315	91,472
Interest on lease liabilities (note 4(b))	**8,071**	7,119
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**–**	2,858
Expense relating to short-term leases	**111**	–

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

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

During the year, additions to right-of-use assets were HK$103,169,000 (2019: HK$217,136,000) primarily related to the capitalised lease payments payable under new or renewed tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 24(c) and 25(b), respectively.

(i) Ownership interests in leasehold land and buildings 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. All potential future lease payments during the extension periods are recognised and included in lease liabilities.

During the years ended 31 December 2020 and 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. There was no variable lease payment during the years ended 31 December 2020 and 2019.

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Investment properties

The Group leases out investment properties under operating lease. The lease typically runs for an initial period of 10 years (year ended 31 December 2019: 10 years). None of the lease includes 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:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Leases in respect of investment properties which are receivable:		
Within 1 year	**19,970**	16,158
After 1 year but within 2 years	**21,739**	19,970
After 2 years but within 3 years	**23,652**	21,739
After 3 years but within 4 years	**25,734**	23,652
After 4 years but within 5 years	**27,999**	25,734
After 5 years	**80,876**	108,875
	199,970	216,128

(e) Further particulars of the Group's leasehold land and properties interest at 31 December 2020 are as follow:

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%

(Expressed in Hong Kong dollars unless otherwise indicated)

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	Total HK$'000
Cost:					
At 1 January 2020	226,700	90,243	163	2,477	319,583
Write-off	–	–	(163)	(2,477)	(2,640)
At 31 December 2020	226,700	90,243	–	–	316,943
Accumulated amortisation and impairment losses:					
At 1 January 2020	175,617	68,500	163	2,477	246,757
Charge for the year	4,116	9,024	–	–	13,140
Reversal of accumulated amortisation upon write-off	–	–	(163)	(2,477)	(2,640)
At 31 December 2020	179,733	77,524	–	–	257,257
Net book value:					
At 31 December 2020	46,967	12,719	–	–	59,686

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTANGIBLE ASSETS (continued)

	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
Reversal of impairment loss upon 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

Intangible assets included the indefeasible right of use in certain capacity of the telecommunications network of the former subsidiary for a term of 20 years, right to use of the telecommunications services from the former subsidiary for a term of 10 years, and merchant relationship and brand name from the acquisition of a subsidiary for terms of 2 years and 1 year respectively.

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.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group as at 31 December 2020.

Name of company	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Percentage of interest held
Ambition Link Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Aqua Line Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	100
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
Blossom Ahead Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Brave Profitable Limited	British Virgin Islands	Investment holding	Ordinary US$1	100
City Force Limited	Hong Kong	Inactive	Ordinary HK$1	100
City Telecom (H.K.) Limited	Hong Kong	Inactive	Ordinary HK$2	100
Crown Goal Limited	Hong Kong	Inactive	Ordinary HK$1	100
Easy Global Enterprises Limited	British Virgin Islands	Investment holding	Ordinary US$1	* 100
Easy Trade Ventures Limited	British Virgin Islands	Software design services	Ordinary US$1	100
Excel Billion Profits Limited	Hong Kong	Inactive	Ordinary HK$10,000	100
Forward Excel Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Fortune Land Leasing Limited	Hong Kong	Inactive	Ordinary HK$1	100
Golden Trinity Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
Harbour Choice Limited	Hong Kong	Inactive	Ordinary HK$1	100

(Expressed in Hong Kong dollars unless otherwise indicated)

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
HKTV eCommerce Fulfilment Company Limited (formerly known as "Smartland Corporate Limited")	Hong Kong	Inactive	Ordinary HK$1	100
HKTV eCommerce Solution Company Limited (formerly known as "Hong Kong Broadband Television Company Limited")	Hong Kong	Inactive	Ordinary HK$2	100
HKTV Japan Company Limited	Japan	Provision of trading service in Japan	Ordinary JPY10,000	100
HoKoBuy Limited	Hong Kong	Inactive	Ordinary HK$26,509,254	100
Home Talent Limited	Hong Kong	Inactive	Ordinary HK$1	100
Hong Kong Broadband Digital TV Limited	Hong Kong	Inactive	Ordinary HK$10,000	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 Music Network Limited	Hong Kong	Inactive	Ordinary HK$1	100
Hong Kong Technology Venture Company Limited	Hong Kong	Inactive	Ordinary HK$1	100
Hong Kong TV Logistics Network Company 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
Multi Talent Enterprise Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
Profit China Limited	Hong Kong	Inactive	Ordinary HK$1	100

(Expressed in Hong Kong dollars unless otherwise indicated)

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
Scenic Grace Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Shoalter Technology Limited (formerly known as "Leader Artiste Management Company Limited")	Hong Kong	Provision of technology services on eCommerce solution	Ordinary HK$100	100
Sunny Nice Limited	Hong Kong	Inactive	Ordinary HK$1	100
Talent Ascent Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	100
Talent Discovery Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
Vast Prominent Investment Holding Limited	British Virgin Islands	Investment holding	Ordinary US$1	* 100
Win Joint Limited	Hong Kong	Inactive	Ordinary HK$1	100

* Shares held directly by the Company.

15 INVENTORIES

The inventories are mainly merchandise purchased for the Group's online shopping mall operation.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 OTHER FINANCIAL ASSETS

	31 December 2020 HK$'000	31 December 2019 HK$'000
Equity instruments designated at FVOCI (non-recycling)		
— Equity securities	**20,655**	24,957
— Perpetual bonds	**51,845**	62,692
	72,500	87,649
Debt securities measured at FVOCI (recycling)		
— Maturity dates within 1 year	**18,197**	83,268
— Maturity dates over 1 year	**182,049**	312,069
	200,246	395,337
Units in investment funds measured at FVPL	**69,570**	72,566
	342,316	555,552
Representing:		
— Non-current portion	**324,119**	472,284
— Current portion	**18,197**	83,268
	342,316	555,552

All of these financial assets were carried at fair value as at 31 December 2020 and 2019.

Note: 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$45,725,000 (2019: HK$57,175,000), property development industry of HK$12,054,000 (2019: HK$12,581,000) and other industries of HK$14,721,000 (2019: HK$17,893,000), 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.

During the year, the Group's investments in perpetual bonds with fair value of HK$10,543,000 were sold with realised loss of HK$51,000. The loss, which had already been included in fair value reserve (non-recycling), has been transferred to retained profits.

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$29,515,000 (31 December 2019: HK$31,581,000), are expected to be recovered within one year.

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2020 and 2019 represented cash at banks/financial institutions and in hand.

19 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	31 December 2020 HK$'000	31 December 2019 HK$'000
Accounts payable (note (a))	**319,888**	168,718
Contract liabilities (note (b))	**105,973**	49,349
Other payables and accrued charges (note (c))	**178,906**	128,450
	284,879	177,799
	604,767	346,517

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

	31 December 2020 HK$'000	31 December 2019 HK$'000
Current–30 days	**315,530**	160,452
31–60 days	**1,240**	2,745
61–90 days	**760**	422
Over 90 days	**2,358**	5,099
	319,888	168,718

(b) Contract liabilities

Contract liabilities mainly represent prepayments received from customers upon order placement. Balance of HK$49,349,000 as at 1 January 2020 (1 January 2019: HK$31,188,000) was recognised as revenue during the year when the customers have taken possession of and accepted the products.

Contract liabilities of HK$105,973,000 were recognised as at 31 December 2020 (2019: HK$49,349,000) as a result of the receipt of payments during the year in advance of satisfaction of performance obligation, and are expected to be recognised as revenue within one year.

(c) Other payables and accrued charges

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

(Expressed in Hong Kong dollars unless otherwise indicated)

20 BANK LOANS

The bank loans were repayable as follows:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Within 1 year	–	315,015

At 31 December 2020, the uncommitted banking facilities of the Group amounted to HK$935,092,000 (31 December 2019: HK$939,864,000). These banking facilities were secured by the Group's other financial assets of HK$342,316,000 (31 December 2019: HK$555,552,000) and bank balances of HK$361,695,000 (31 December 2019: HK$38,634,000) as at 31 December 2020. Bank facilities as at 31 December 2019 were also secured by pledged deposits of HK$3,905,000 as at that date. The facilities were not utilised as at 31 December 2020 (31 December 2019: utilised balance of HK$315,015,000).

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 2020 and 2019, none of the covenants relating to drawn down facilities had been breached.

At 31 December 2019, the bank loans bore fixed interest rates from 2.8% to 3.2% per annum.

21 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were payable as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**94,413**	86,358
After 1 year but within 2 years	**60,438**	76,636
After 2 years but within 5 years	**116,560**	75,524
After 5 years	**26,797**	44,411
	203,795	196,571
	298,208	282,929

(Expressed in Hong Kong dollars unless otherwise indicated)

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$'000	Retained profits HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Capital reserve HK$'000	Total HK$'000
Balance on 1 January 2019		1,280,191	1,831,303	(13,890)	(1,463)	32,271	3,128,412
Changes in equity for 2019:							
Loss attributable to equity shareholders		–	(2,178)	–	–	–	(2,178)
Other comprehensive income		–	–	19,389	4,173	–	23,562
Total comprehensive income for the year		–	(2,178)	19,389	4,173	–	21,384
Shares issued under share option scheme	22(c)	13,201	–	–	–	(3,744)	9,457
Equity settled share-based transactions	4(c)	–	–	–	–	120	120
Share options forfeited reclassified to retained profits	11	–	58	–	–	(58)	–
Balance at 31 December 2019 and 1 January 2020		1,293,392	1,829,183	5,499	2,710	28,589	3,159,373
Changes in equity for 2020:							
Profit attributable to equity shareholders		–	1,324	–	–	–	1,324
Other comprehensive income		–	–	(1,953)	(4,541)	–	(6,494)
Total comprehensive income for the year		–	1,324	(1,953)	(4,541)	–	(5,170)
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits		–	(51)	–	51	–	–
Shares issued under share option scheme	22(c)	1,094	–	–	–	(311)	783
Issuance of new shares	22(d)	453,207	–	–	–	–	453,207
Equity settled share-based transactions	4(c)	–	–	–	–	15,087	15,087
Share options cancelled reclassified to retained profits	11	–	35	–	–	(35)	–
Balance at 31 December 2020		1,747,693	1,830,491	3,546	(1,780)	43,330	3,623,280

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL AND RESERVES (continued)

(b) Issued share capital

	2020 No. of shares	2020 Amount HK$'000	2019 No. of shares	2019 Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	**820,733,643**	**1,293,392**	814,216,643	1,280,191
Net proceeds from issuance of new shares (note 22(d))	**90,000,000**	**453,207**	–	–
Shares issued under share option scheme (note 22(c))	**540,000**	**1,094**	6,517,000	13,201
At 31 December	**911,273,643**	**1,747,693**	820,733,643	1,293,392

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 2020, 540,000 (31 December 2019: 6,517,000) ordinary shares were issued at weighted average exercise price of HK$1.45 (31 December 2019: HK$1.45) per ordinary share to share option holders who had exercised their options with an aggregate consideration of HK$783,000 (31 December 2019: HK$9,457,000) of which HK$1,094,000 (31 December 2019: HK$13,201,000) was credited to share capital and the balance of HK$311,000 (31 December 2019: HK$3,744,000) was debited to the capital reserve.

(d) Issuance of new shares

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 HK$453,207,000 (net of related fees and expenses).

(e) Revaluation reserve

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

(f) 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 held at the end of the reporting period (see note 1(e)).

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL AND RESERVES (continued)

(g) 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(e)).

(h) 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(w).

(i) 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(p)(iv).

(j) Capital management

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

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

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

The net debt-to-net asset gearing ratio as at 31 December 2020 and 2019 are as follows:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Bank loans	**–**	(315,015)
Less: cash and cash equivalents	**942,479**	149,713
Net cash/(debt)	**942,479**	(165,302)
Net assets	**2,097,688**	1,451,608
Net debt-to-net asset gearing ratio (times)	**N/A**	0.11

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

(Expressed in Hong Kong dollars unless otherwise indicated)

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 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)
At 1 January 2020	(50,592)	2,096	47,308	(1,188)
Credited/(charged) to consolidated income statement	4,210	(2,096)	(2,153)	(39)
At 31 December 2020	(46,382)	–	45,155	(1,227)

(ii) Reconciliation to the consolidated statement of financial position

	31 December 2020 HK$'000	31 December 2019 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,227)**	(1,188)

(b) Deferred tax assets not recognised

As at 31 December 2020, the Group did not recognise deferred tax assets in respect of unused tax losses of HK$2,198,565,000 (31 December 2019: HK$2,372,761,000) as it is not certain that future taxable profits against which the losses could be utilised would be available in the relevant tax jurisdictions and entity. The tax losses do not expire under the current tax legislation.

(Expressed in Hong Kong dollars unless otherwise indicated)

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	31 December 2020 HK$'000	31 December 2019 HK$'000
Profit/(loss) before taxation	**184,141**	(289,967)
Adjustments for:		
Depreciation of property, plant and equipment	**192,691**	155,888
Reversal of provision for onerous contract	**–**	(144)
Bank interest income	**(3,249)**	(94)
Equity settled share-based payment expenses	**15,087**	120
Interest income from other financial assets	**(18,249)**	(30,332)
Dividend and investment income from other financial assets	**(4,705)**	(5,457)
(Gain)/loss on disposal of other financial assets	**(784)**	2,063
Unrealised fair value loss/(gain) on units in investment funds measured at FVPL	**2,443**	(378)
Provision of expected credit losses on debt securities measured at FVOCI	**4,527**	671
Loss on disposal of property, plant and equipment	**27**	11
Non-cash licensing income	**–**	(1,666)
Valuation losses/(gains) on investment properties	**6,050**	(750)
Amortisation of intangible assets	**13,140**	14,827
Interest expenses on bank loans	**1,855**	5,139
Interest expenses on lease liabilities	**8,071**	7,119
Write-down and write-off of inventories	**23,383**	6,156
Exchange loss, net	**2,584**	4,626
Net cash generated/(used) before working capital changes	**427,012**	(132,168)
Changes in working capital:		
Increase in other receivables, deposits and prepayments	**(29,539)**	(34,610)
Increase in inventories	**(54,193)**	(47,597)
Increase in accounts payable, other payables and accrued charges and deposits received	**264,699**	41,989
Net cash generated from/(used in) operating activities	**607,979**	(172,386)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 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)
Interests 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 and 1 January 2020	315,015	1,016	282,929	598,960
Changes from financing cash flows:				
Proceeds from new bank loans	343,327	–	–	343,327
Repayments of bank loans	(658,342)	–	–	(658,342)
Interests paid on bank loans	–	(2,871)	–	(2,871)
Capital element of lease rentals paid	–	–	(86,100)	(86,100)
Interest element of lease rentals paid	–	–	(8,071)	(8,071)
Total changes from financing cash flows	(315,015)	(2,871)	(94,171)	(412,057)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	101,379	101,379
Interest expenses (note 4(b))	–	1,855	8,071	9,926
Total other changes	–	1,855	109,450	111,305
At 31 December 2020	–	–	298,208	298,208

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2020 HK$'000	31 December 2019 HK$'000
Within operating cash flows	**111**	2,858
Within financing cash flows	**94,171**	64,846
	94,282	67,704

These amounts relate to the following:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Lease rentals paid	**94,282**	67,704

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

The Group's credit risk is primarily attributable to other receivables, cash at banks/financial institutions 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 cash 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 2020 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 2020 and 2019, the Group does not provide any financial guarantees which expose the Group to credit risk.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(a) Credit risk (continued)

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:

	2020 **HK$'000**	2019 HK$'000
Balance at 1 January	**1,999**	1,328
Provision of expected credit losses recognised during the year	**4,527**	671
Balance at 31 December	**6,526**	1,999

(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 2020					
	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**
Current liabilities						
Accounts payable	**319,888**	**–**	**–**	**–**	**319,888**	**319,888**
Other payables and accrued charges	**178,906**	**–**	**–**	**–**	**178,906**	**178,906**
Deposits received	**5,757**	**–**	**–**	**–**	**5,757**	**5,757**
Lease liabilities	**95,696**	**62,600**	**126,070**	**31,925**	**316,291**	**298,208**
	600,247	**62,600**	**126,070**	**31,925**	**820,842**	**802,759**

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(b) Liquidity risk (continued)

	31 December 2019					
	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
Current liabilities						
Bank loans	316,339	–	–	–	316,339	315,015
Accounts payable	168,718	–	–	–	168,718	168,718
Other payables and accrued charges	128,450	–	–	–	128,450	128,450
Deposits received	5,757	–	–	–	5,757	5,757
Lease liabilities	87,809	80,304	83,538	53,841	305,492	282,929
	707,073	80,304	83,538	53,841	924,756	900,869

(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 2020 HK$'000	31 December 2019 HK$'000
Fixed rate and variable rate instruments		
— Other financial assets:		
Debt securities measured at FVOCI	**200,246**	395,337
Perpetual bonds designated at FVOCI	**51,845**	62,692
Units in investment funds measured at FVPL	**47,112**	53,356
Fixed rate borrowings		
— Bank loans	**–**	(315,015)
— Lease liabilities	**(298,208)**	(282,929)
	995	(86,559)

(Expressed in Hong Kong dollars unless otherwise indicated)

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 determines that there is no significant interest rate risk as the majority of the Group's interest-bearing instruments are at fixed rate.

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 and cash equivalents. 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 2020			31 December 2019		
	USD	**RMB**	**EUR**	USD	RMB	EUR
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	**367,882**	**1,346**	**73**	42,638	835	724
Other financial assets:						
— Debt securities measured at FVOCI	**163,682**	**–**	**–**	379,109	–	–
— Units in investment funds measured at FVPL	**63,592**	**–**	**–**	66,329	–	–
— Perpetual bonds designated at FVOCI	**51,845**	**–**	**–**	62,692	–	–
	647,001	**1,346**	**73**	550,768	835	724

(Expressed in Hong Kong dollars unless otherwise indicated)

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 profit/(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	Increase/ (decrease) in profit for the year HK$'000
31 December 2020		
RMB	**5%**	**67**
	(5%)	**(67)**
EUR	**5%**	**4**
	(5%)	**(4)**

	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss for the year HK$'000
31 December 2019		
RMB	5%	42
	(5%)	(42)
EUR	5%	36
	(5%)	(36)

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 2019.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(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$4,311,000 (31 December 2019: HK$4,417,000). Any increase or decrease in the market value of the Group's equity securities designated at FVOCI would not affect the Group's profit/loss for the year.

(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 2020				
Assets:				
— Debt securities measured at FVOCI	**–**	**200,246**	**–**	**200,246**
— Units in investment funds measured at FVPL	**5,979**	**63,591**	**–**	**69,570**
— Equity securities designated at FVOCI	**20,655**	**–**	**–**	**20,655**
— Perpetual bonds designated at FVOCI	**–**	**51,845**	**–**	**51,845**
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

(Expressed in Hong Kong dollars unless otherwise indicated)

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 years ended 31 December 2020 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 amortised cost were not materially different from their fair value as at 31 December 2020 and 2019.

26 COMMITMENTS

Capital commitments

	31 December 2020 HK$'000	31 December 2019 HK$'000
Purchase of motor vehicles, computers and equipment		
Contracted but not provided for	**50,538**	51,828
Construction of eCommerce and Distribution Centre		
Contracted but not provided for	**8,218**	1,876

In addition, the Group was committed at 31 December 2020 to enter into certain number of leases of 2 to 3 years that are not yet commenced, the lease payments under which amounted to HK$18,475,000 in total (31 December 2019: certain number of leases of 3 years with lease payments amounted to HK$4,680,000 in total).

(Expressed in Hong Kong dollars unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

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

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Short-term Talent benefits	**48,003**	20,228
Post-employment benefits	**771**	1,074
Equity-settled share-based payment	**6,450**	–
	55,224	21,302

(Expressed in Hong Kong dollars unless otherwise indicated)

28 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In the process of apply the Group's accounting policies, management has made the following accounting judgement:

(i) Valuation of investment properties

Investment properties are land and/or buildings which are owned and held to earn rental income and/or for capital appreciation. Such properties are carried in the statement of financial position at their fair value as determined by independent firm of surveyors ("the valuers"). In determining the fair value of investment properties, the valuers use assumptions and estimates that reflect, amongst other things, comparable market transactions. Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties. Changes in fair values of investment properties are recognised in the consolidated income statement.

(ii) Expected credit losses of other financial assets

The measurement of the expected credit loss allowance for debt instruments measured at FVOCI is an area that requires the use of significant assumptions about future economic conditions and credit expectation.

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

— Determining criteria for significant increase in credit risk; and

— Choosing an appropriate model and assumptions for the measurement of expected credit losses; and

— Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

(b) 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.

29 PLEDGED BANK DEPOSIT

As at 31 December 2020, the Group had no pledged bank deposit and did not enter into any hedging arrangement. As at 31 December 2019, the Group had pledged bank deposits of US$500,000 (equivalent to approximately HK$3,900,000) as security for the banking facilities of US$500,000 (equivalent to approximately HK$3,900,000) granted by a bank for foreign exchange and interest rate hedging arrangement.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020 HK$'000	31 December 2019 HK$'000
Non-current assets			
Property, plant and equipment		**5,341**	1,883
Intangible assets		**59,686**	72,826
Interest in subsidiaries		**2,638,109**	2,807,958
Other financial assets		**324,119**	472,284
		3,027,255	3,354,951
Current assets			
Other receivables, deposits and prepayments		**7,977**	10,260
Other current financial assets		**18,197**	83,268
Amounts due from subsidiaries		**2,249**	2,249
Pledged bank deposit		**–**	3,905
Cash and cash equivalents		**653,304**	58,791
		681,727	158,473
Current liabilities			
Other payables and accrued charges		**81,749**	38,332
Bank loans		**–**	315,015
Amounts due to subsidiaries		**704**	704
Lease liabilities		**2,035**	–
		84,488	354,051
Net current assets/(liabilities)		**597,239**	(195,578)
Non-current liabilities			
Lease liabilities		**1,214**	–
NET ASSETS		**3,623,280**	3,159,373
CAPITAL AND RESERVES	22		
Share capital		**1,747,693**	1,293,392
Reserves		**1,875,587**	1,865,981
TOTAL EQUITY		**3,623,280**	3,159,373

Approved and authorised for issue by the board of directors on 30 March 2021.

Cheung Chi Kin, Paul
Director

Wong Wai Kay, Ricky
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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 16, *Covid-19-Related Rent Concessions*	1 June 2020
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

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.

RESULTS, ASSETS AND LIABILITIES

The following table summarises the consolidated results, assets and liabilities of the Group for the year ended 31 December 2020, 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Results					
Turnover	**2,877,884**	1,413,958	896,374	487,257	187,071
Profit/(loss) before taxation	**184,141**	(289,967)	(132,758)	(203,757)	(257,042)
Taxation	**(560)**	54	(337)	(1,163)	(74)
Profit/(loss) after taxation	**183,581**	(289,913)	(133,095)	(204,920)	(257,116)
Assets					
Property, plant and equipment	**1,398,110**	1,409,816	1,115,347	1,152,387	917,048
Intangible assets	**59,686**	72,826	87,653	99,828	112,248
Goodwill	**897**	897	897	897	–
Long term receivable and prepayment	**28,984**	24,658	5,444	11,912	8,209
Other financial assets	**342,316**	555,552	681,929	876,165	1,183,425
Current assets	**1,178,412**	339,502	235,577	195,299	101,431
Total assets	**3,008,405**	2,403,251	2,126,847	2,336,488	2,322,361
Liabilities					
Current liabilities	**705,695**	753,884	416,979	471,700	324,705
Non-current liabilities	**205,022**	197,759	1,479	2,156	993
Total liabilities	**910,717**	951,643	418,458	473,856	325,698
Net assets	**2,097,688**	1,451,608	1,708,389	1,862,632	1,996,663

Notes:

1. The Group adopted HKFRS 9, *Financial instruments* from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to retained profits and reserves as at 1 January 2018. There were no difference in the carrying amounts of the financial assets and financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.

2. The Group adopted HKFRS 15, *Revenue from contracts with customers* from 1 January 2018. As a result, the Group has changed its accounting policies in relation to revenue recognition and contract liabilities. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to "other payables and accrued charges" in the consolidated statement of financial position as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

3. The Group has initially applied HKFRS16, *Leases* 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 2020

Annual results announced:
30 March 2021

Closure of register of members for Annual General Meeting:
4 June 2021 to 9 June 2021

Annual General Meeting:
9 June 2021

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 Group Chief Executive Officer)
Ms. WONG Nga Lai, Alice [3,5] *(Group Chief Financial Officer)*
Mr. LAU Chi Kong [3]
(Chief Executive Officer (International Business))
Ms. ZHOU Huijing [3] *(Chief Executive Officer (Hong Kong))*

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 [2,5,7,9]

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

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New York, NY 10286 USA

Principal Bankers

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

Website

www.hktv.com.hk

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