

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hong Kong Television Network Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Hong Kong Television Network Limited
香港電視網絡有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 1137)

MAJOR TRANSACTION
ACQUISITION OF
ENTIRE SHARE CAPITAL OF THE TARGET COMPANY

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Acquisition”	the acquisition of Sale Share as contemplated under the Agreement
“Agreement”	the conditional sale and purchase agreement dated 20 February 2017 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Board”	the board of Directors
“Company”	Hong Kong Television Network Limited, a company incorporated in Hong Kong with limited liability
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	the total consideration in the sum of US\$0.671 million (equivalent to approximately HK\$5.21 million) (subject to adjustment for the net working capital as at the date of Completion upon preparation of the relevant accounts of the Target Company) payable by the Purchaser to the Vendor for the Acquisition as described under the Agreement
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group and the Target Company upon Completion
“Gross Merchandise Value”	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 and returns of merchandise sold
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Latest Practicable Date”	12 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Transition Services and License Agreement”	the transition services agreement dated 3 March 2017 entered into between the Purchaser, the Target Company, and Groupon, Inc. on Completion
“Purchaser”	Talent Ascent Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Share”	200,000 ordinary shares in the share capital of the Target Company, being the entire issued share capital of the Target Company held by the Vendor
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shift Media Group Limited, a company incorporated in Hong Kong with limited liability
“Transition Services”	collectively, the transition services set forth in or contemplated by the Master Transition Services and License Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“US GAAP”	Generally accepted accounting principles in effect in the United States
“Vendor”	Groupon, Inc., a company incorporated in Delaware, the United States of America, and publicly listed on the NASDAQ Global Select Market, and Groupon Holdings B.V., a company incorporated in the Netherlands, with limited liability and an indirect wholly-owned subsidiary of Groupon, Inc.
“%”	per cent.



Hong Kong Television Network Limited
香港電視網絡有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 1137)

Executive Directors:

Mr. Wong Wai Kay, Ricky
Mr. Cheung Chi Kin, Paul
Ms. Wong Nga Lai, Alice

Non-executive Director:

Ms. To Wai Bing

Independent Non-executive Directors:

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

Registered Office:

13th Floor
Trans Asia Centre
18 Kin Hong Street
Kwai Chung
New Territories
Hong Kong

15 May 2017

To the Shareholders

Dear Sirs or Madam,

MAJOR TRANSACTION
ACQUISITION OF
ENTIRE SHARE CAPITAL OF THE TARGET COMPANY

1. INTRODUCTION

Reference was made to the Company's announcement made on 20 February 2017 regarding the Acquisition.

The purpose of this circular is to provide you with further details of the Acquisition and other information prescribed by the Listing Rules.

2. PRINCIPAL TERMS OF THE AGREEMENT

Date : 20 February 2017

Parties : (1) Purchaser: Talent Ascent Limited
(2) Vendor: Groupon, Inc., and Groupon Holdings B.V.

LETTER FROM THE BOARD

- Assets to be acquired : Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share. Based on the audited financial statements, the Target Company recorded loss before and after taxation of HK\$12.3 million and HK\$12.6 million respectively for the year ended 31 December 2016 and a net liability of HK\$3.6 million (excluding a net receivables from the Vendor's group of HK\$38.9 million which has been waived or settled prior to Completion) as at 31 December 2016.
- Consideration : The total consideration of purchase and sale of Sale Share shall be US\$0.671 million (equivalent to approximately HK\$5.21 million) (subject to adjustment for the net working capital as at the date of Completion upon preparation of the relevant accounts of the Target Company in accordance with the US GAAP). The Consideration is expected to be funded by internal resources available to the Group. The Consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the prospect as elaborated in the section headed "REASONS FOR AND BENEFIT OF THE ACQUISITION".
- Payment Terms : The Consideration for the Acquisition was paid to the Vendor on 3 March 2017 in cash by wire transfer of immediately available funds to the Vendor (subject to adjustment).

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor and the ultimate beneficial owner of the Vendor are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

LETTER FROM THE BOARD

3. PRINCIPAL TERMS OF THE MASTER TRANSITION SERVICES AND LICENSE AGREEMENT

- Date : 3 March 2017
- Parties : (1) Purchaser: Talent Ascent Limited
(2) Groupon, Inc.
(3) Target Company: Shift Media Group Limited
- Transition Services : Pursuant to the Agreement, the Purchaser, Target Company and Groupon, Inc., entered into the Master Transition Services and License Agreement on the date of Completion pursuant to which Groupon, Inc. will provide or cause to be provided to the Target Company (a) a limited and temporary license to access to certain systems, applications, tools, and trademarks, and (b) other support services, including merchant payment and customer support, for a period of six (6) to twelve (12) months, as the case may be, from the date of the Master Transition Services and License Agreement.
- Monthly Service Fees for Transition Services : In consideration of the Transition Services provided by Groupon, Inc., the Target Company shall pay to Groupon, Inc., the services fees based on the numbers of license used and the actual cost incurred by Groupon, Inc.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider that the Group has a strategic objective to aggressively expand the addressable market for sustainable business growth by increasing the number of order intake and order size. Apart from organic growth, the Group also explores different acquisition and partnership opportunities to accelerate the expansion in the industry of online marketplaces and to maximise the Online-to-Offline synergy. In this regard, the Acquisition of the Target Company, as one of the most popular group-buy e-commerce marketplaces in Hong Kong, is expected to facilitate the Group to have a meaningful presence in the voucher-selling market and also to strengthen its customer base and the leading position within the industry. In 2016, the Target Company has generated a Gross Merchandise Value of about HK\$400 million and has an active customer base in the past 365 days of approximately 280,000. The Group expects there will be synergy and collaboration between HKTVmall and the Target Company such as exchanging product/hot deal offerings between the two platforms which currently expose to a substantially different customer base.

The Directors (including the independent non-executive Directors) believe that the terms of the Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

5. INFORMATION OF THE PARTIES

The Group is principally engaged in multimedia production and content distribution and other multimedia related activities as well as operate a 24-hour “e-shopping Mall” providing a “One-stop shop” platform including entertainment, online shopping, delivery services and customer experience.

The Target Company is a local corporation, providing local e-commerce marketplace which connects merchants to customers by offering goods and services at a discount primarily in e-voucher for redemption.

6. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the total assets of the Group would have increased from approximately HK\$2,322.4 million to approximately HK\$2,351.1 million whilst the total liabilities of the Group would have increased from approximately HK\$325.7 million to approximately HK\$356.7 million, as if the Acquisition had taken place on 31 December 2016.

Had the Acquisition taken place on 1 January 2016, the loss for the year ended 31 December 2016 of the Group would have increased.

For further details on the financial effects of the Acquisition, please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular.

7. LISTING RULES IMPLICATIONS

As the applicable percentage ratios under the Listing Rules in respect of the Agreement are greater than 25% but less than 100%, the Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders’ approval of the Acquisition may be given by way of written Shareholders’ approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (2) the written Shareholders’ approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Acquisition.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

Written approval of the Acquisition has been obtained from the following Shareholders:

Name	Number of Shares held	Approximate percentage of shareholding (Note 1)
Top Group International Limited (Note 2)	339,814,284	42.00%
Wong Wai Kay, Ricky	15,236,893	1.88%
Cheung Chi Kin, Paul (Note 3)	<u>50,377,763</u>	<u>6.23%</u>
Total:	<u>405,428,940</u>	<u>50.11%</u>

Notes:

1. This percentage is based on 809,016,643 Shares as at the Latest Practicable Date.
2. Top Group International Limited is beneficially owned by Mr. Wong Wai Kay, Ricky, Mr. Cheung Chi Kin, Paul as to approximately 42.12% and 27.06% interests respectively.
3. 25,453,424 Shares are held by Mr. Cheung Chi Kin, Paul and 24,924,339 Shares are held by Worship Limited which is 50% owned by Mr. Cheung Chi Kin, Paul.

8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Hong Kong Television Network Limited
Wong Wai Kay, Ricky
Chairman

1. AUDITED FINANCIAL STATEMENTS OF THE GROUP

The financial statements of the Group for the three years/period ended 31 December 2016, 31 December 2015 and 31 December 2014 are set out in the annual reports of the Company published on 18 April 2017, 13 April 2016 and 15 April 2015, respectively, available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hktv.com.hk).

The following are the links to the respective annual reports of the Company on the website of the Stock Exchange and the pages on which the audited consolidated financial statements of the group for each of the relevant periods can be found:

Sixteen months ended 31 December 2014 (pages 40 to 110)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0415/LTN20150415476.pdf>

Year ended 31 December 2015 (pages 46 to 101)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0413/LTN20160413394.pdf>

Year ended 31 December 2016 (pages 52 to 103)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0418/LTN20170418626.pdf>

2. STATEMENT OF INDEBTEDNESS

As at 31 March 2017, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding borrowings of approximately HK\$138.9 million comprising the utilised uncommitted banking facilities, which was secured by an equivalent amount of available-for-sale securities held by various banks.

Save as otherwise disclosed in this circular and apart from any intra-group liabilities, the Enlarged Group did not, as at 31 March 2017, have any debt securities issued and outstanding, or authorised or otherwise created but unissued, other borrowings or indebtedness in the nature of borrowing of the Enlarged Group including overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, acceptance credits or hire purchase commitments, debentures, mortgages, charges, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

4. WORKING CAPITAL STATEMENT

After taking into account the Group's internally generated funds, the available credit facilities and cash flows impact of the Acquisition, in the absence of unforeseeable circumstance, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. By entering into the e-voucher selling market, the Acquisition represents a meaningful step to strengthen the Company's leading position in the online shopping space in Hong Kong. The Acquisition will enable the Group to accelerate the expansion of its addressable market in the e-commerce business, to widen the product and service portfolio available to its expanding customer base, and to create synergy through the collaboration between this e-voucher selling platform and HKTVmall, the online shopping mall currently operated by the Company, such as the exchange of products/hot deals offerings between the two platforms which currently expose to a substantially different customer base.

The Group is continuously exploring investment opportunities to broaden the Group's revenue stream and enhance its profitability. The Company will, from time to time, assess the performance and prospects of each of its existing business and may consider adjusting its business portfolio including but not limited to further investment and/or realisations, when opportunity arises to strive for the best interest of the Group and the Shareholders.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the independent reporting accountants of Shift Media Group Limited, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Board of Directors
Hong Kong Television Network Limited
13/F, Trans Asia Centre
18 Kin Hong Street
Kwai Chung, New Territories
Hong Kong

Dear Sirs,

We report on the historical financial information of Shift Media Group Limited (“Shift Media”) set out on pages 13 to 40, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 (the “Relevant Periods”), and the statements of financial position as at 31 December 2014, 2015 and 2016 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages 13 to 40 forms an integral part of this report, which has been prepared for inclusion in the circular of Hong Kong Television Network Limited dated 15 May 2017 (the “Circular”) in connection with the acquisition of the entire equity interest in Shift Media.

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of Shift Media (the “Shift Media Directors”) are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the Shift Media Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Shift Media Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Shift Media as at 31 December 2014, 2015 and 2016 and of the financial performance and cash flows of Shift Media for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF
SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page 13 have been made.

Dividends

No dividends have been paid by Shift Media in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants

Hong Kong
15 May 2017

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued financial statements of Shift Media for the Relevant Periods prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The previously issued financial statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Historical Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section II Notes	Year ended 31 December		
		2014 HK\$	2015 HK\$	2016 HK\$
REVENUE	5	121,878,613	126,800,957	88,690,338
Other income	5	838,263	1,308,493	1,223,351
Cost of inventories sold		(729,410)	(351,480)	(20,345)
Depreciation		(2,504,152)	(2,049,754)	(953,320)
Minimum lease payments under operating leases		(12,384,646)	(13,075,037)	(12,615,194)
Staff costs		(53,059,465)	(58,298,108)	(43,538,162)
Other expenses		<u>(48,801,889)</u>	<u>(47,123,685)</u>	<u>(45,048,907)</u>
PROFIT/(LOSS) BEFORE TAX	6	5,237,314	7,211,386	(12,262,239)
Income tax expense	9	<u>(796,779)</u>	<u>(1,139,697)</u>	<u>(363,717)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>4,440,535</u>	<u>6,071,689</u>	<u>(12,625,956)</u>

STATEMENTS OF FINANCIAL POSITION

	Section II Notes	As at 31 December		
		2014 HK\$	2015 HK\$	2016 HK\$
NON-CURRENT ASSETS				
Property, plant and equipment	10	3,222,735	1,227,156	360,676
Rental deposits	12	2,919,701	1,268,471	2,726,495
Deferred tax assets	16	340,959	435,140	—
Total non-current assets		<u>6,483,395</u>	<u>2,930,767</u>	<u>3,087,171</u>
CURRENT ASSETS				
Inventories		255,637	24,618	—
Trade receivables	11	8,338,278	9,998,584	5,168,361
Prepayments, deposits and other receivables	12	376,350	1,831,867	340,294
Due from the ultimate holding company	21(b)	1,835,468	—	—
Due from fellow subsidiaries	21(b)	9,640,511	9,753,906	9,141,761
Loan to an intermediate holding company	21(c)	45,833,400	47,141,890	48,365,239
Tax recoverable		1,423,958	—	809,064
Bank balances		<u>26,534,837</u>	<u>54,562,203</u>	<u>17,945,340</u>
Total current assets		<u>94,238,439</u>	<u>123,313,068</u>	<u>81,770,059</u>
CURRENT LIABILITIES				
Trade payables	13	42,371,266	37,821,202	24,369,308
Other payables and accruals	14	9,285,487	8,348,084	5,295,748
Due to the ultimate holding company	21(b)	—	200,944	265,649
Due to fellow subsidiaries	21(b)	6,243,434	30,546,659	18,364,829
Provisions	15	641,146	467,054	341,701
Tax payable		—	125,257	—
Total current liabilities		<u>58,541,333</u>	<u>77,509,200</u>	<u>48,637,235</u>
NET CURRENT ASSETS		<u>35,697,106</u>	<u>45,803,868</u>	<u>33,132,824</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>42,180,501</u>	<u>48,734,635</u>	<u>36,219,995</u>

	Section II <i>Notes</i>	As at 31 December		
		2014 <i>HK\$</i>	2015 <i>HK\$</i>	2016 <i>HK\$</i>
NON-CURRENT LIABILITIES				
Accruals	14	<u>1,050,744</u>	<u>1,042,113</u>	<u>974,011</u>
Net assets		<u>41,129,757</u>	<u>47,692,522</u>	<u>35,245,984</u>
EQUITY				
Share capital	17	26,509,254	26,509,254	26,509,254
Reserves		<u>14,620,503</u>	<u>21,183,268</u>	<u>8,736,730</u>
Total equity		<u>41,129,757</u>	<u>47,692,522</u>	<u>35,245,984</u>

STATEMENTS OF CHANGES IN EQUITY

	Notes	Share capital HK\$	Share premium account HK\$	Capital reserve** HK\$	Retained profits HK\$	Total equity HK\$
At 1 January 2014		200,000	26,309,254	2,106,002	7,392,439	36,007,695
Equity-settled share-based payment arrangements	18	—	—	681,527	—	681,527
Profit and total comprehensive income for the year		—	—	—	4,440,535	4,440,535
Transition to no-par value regime [#]		<u>26,309,254</u>	<u>(26,309,254)</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2014 and 1 January 2015		26,509,254	—	2,787,529*	11,832,974*	41,129,757
Equity-settled share-based payment arrangements	18	—	—	491,076	—	491,076
Profit and total comprehensive income for the year		<u>—</u>	<u>—</u>	<u>—</u>	<u>6,071,689</u>	<u>6,071,689</u>
At 31 December 2015 and 1 January 2016		26,509,254	—	3,278,605*	17,904,663*	47,692,522
Equity-settled share-based payment arrangements	18	—	—	179,418	—	179,418
Loss and total comprehensive loss for the year		<u>—</u>	<u>—</u>	<u>—</u>	<u>(12,625,956)</u>	<u>(12,625,956)</u>
At 31 December 2016		<u>26,509,254</u>	<u>—</u>	<u>3,458,023*</u>	<u>5,278,707*</u>	<u>35,245,984</u>

[#] In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), Shift Media's shares no longer have a par or nominal value with effect from 3 March 2014, accordingly, any amount standing to the credit of the share premium account has become part of Shift Media's share capital.

* These reserve accounts comprise the reserves of HK\$14,620,503, HK\$21,183,268 and HK\$8,736,730 as at 31 December 2014, 2015 and 2016, respectively, in the statements of financial position.

** Capital reserve represents the deemed contribution from the ultimate holding company with respect to its restricted stock units granted to Shift Media's employees.

STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		
		2014 <i>HK\$</i>	2015 <i>HK\$</i>	2016 <i>HK\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		5,237,314	7,211,386	(12,262,239)
Adjustments for:				
Depreciation	10	2,504,152	2,049,754	953,320
Interest income	5	(838,263)	(1,308,493)	(1,223,351)
Equity-settled share-based payment expenses	6	681,527	491,076	179,418
Write-off of items of property, plant and equipment	10	18,667	17,970	—
		7,603,397	8,461,693	(12,352,852)
(Increase)/decrease in inventories		(196,254)	231,019	24,618
Decrease/(increase) in trade receivables		7,892,274	(1,660,306)	4,830,223
Decrease in prepayments, deposits and other receivables		192,186	195,713	33,549
Decrease/(increase) in amounts due from fellow subsidiaries		9,644,894	(113,395)	612,145
Decrease in trade payables		(1,873,496)	(4,550,064)	(13,451,894)
Decrease in other payables and accruals		(1,933,731)	(946,034)	(3,120,438)
(Decrease)/increase in amounts due to fellow subsidiaries		(5,160,752)	24,303,225	(12,181,830)
Decrease in provisions		(586,119)	(174,092)	(125,353)
Changes in balances with the ultimate holding company, net		(2,741,398)	2,036,412	64,705
Cash generated from/(used in) operations		12,841,001	27,784,171	(35,667,127)
Interest received		65	3	2
Hong Kong profits tax (paid)/refunded		(4,763,365)	315,337	(862,898)
Net cash flows from/(used in) operating activities		8,077,701	28,099,511	(36,530,023)

	Year ended 31 December		
	2014	2015	2016
	HK\$	HK\$	HK\$
CASH FLOW USED IN INVESTING ACTIVITY			
Purchases of items of property, plant and equipment	<u>(2,450,230)</u>	<u>(72,145)</u>	<u>(86,840)</u>
CASH FLOW FROM A FINANCING ACTIVITY			
Loan repayment from an intermediate holding company	<u>1,758,073</u>	<u>—</u>	<u>—</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,385,544	28,027,366	(36,616,863)
Cash and cash equivalents at beginning of year	<u>19,149,293</u>	<u>26,534,837</u>	<u>54,562,203</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>26,534,837</u></u>	<u><u>54,562,203</u></u>	<u><u>17,945,340</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	<u><u>26,534,837</u></u>	<u><u>54,562,203</u></u>	<u><u>17,945,340</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shift Media is a limited liability company incorporated in Hong Kong. The registered office of Shift Media was located at 30th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong during the Relevant Periods. Subsequent to 31 December 2016, on 3 March 2017, the registered office of Shift Media was changed to 13th Floor, Trans Asia Centre, No. 18 Kin Hong Street, Kwai Chung, New Territories, Hong Kong.

During the Relevant Periods, Shift Media was principally involved in the provision of a local e-commerce marketplace that connects merchants to consumers by offering goods and services at a discount and sale of luxury goods in Hong Kong.

During the Relevant Periods, Shift Media was a wholly-owned subsidiary of Groupon Holdings, B.V., a company incorporated in the Netherlands. In the opinion of the directors, Groupon Inc., was the Company's ultimate holding company during the Relevant Periods. Subsequent to 31 December 2016, on 3 March 2017, the entire issued share capital of Shift Media was acquired by Talent Ascent Limited, a company incorporated in the British Virgin Islands. In the opinion of the directors, subsequent to the said share capital transfer, the ultimate holding company of Shift Media changed from Groupon, Inc. to Hong Kong Television Network Limited, a company incorporated and listed in Hong Kong.

2.1 BASIS OF PREPARATION

The Historical Financial Information contained in the Circular does not constitute Shift Media's statutory financial statements for any of the years ended 31 December 2014, 2015 and 2016 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As Shift Media is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

Shift Media's auditor has reported on these financial statements for all the three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2016 have been early adopted by Shift Media in the preparation of the Historical Financial Information throughout the Relevant Periods.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Shift Media has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ²
HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKFRS 15	<i>Clarification to HKFRS 15 Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ²
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to HKFRS 12 Disclosure of Interests in Other Entities</i> ¹
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to a number of HKFRSs</i> ²

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

Shift Media is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Historical Financial Information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Impairment of non-financial assets**

Where an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value-in-use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the year in which it arises.

Related parties

A party is considered to be related to Shift Media if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over Shift Media;
 - (ii) has significant influence over Shift Media; or
 - (iii) is a member of the key management personnel of Shift Media or of a parent of Shift Media;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and Shift Media are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and Shift Media are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third party and the other entity is an associate of the third party;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either Shift Media or an entity related to Shift Media;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Shift Media or to the parent of Shift Media.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Shift Media recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives/principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Software	50%
Computer equipment	33%
Office equipment	20%
Furniture and fixtures	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Subsequent measurement — loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Shift Media's statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Shift Media has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Shift Media has transferred substantially all the risks and rewards of the asset, or (b) Shift Media has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Shift Media has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Shift Media continues to recognise the transferred asset to the extent of Shift Media's continuing involvement. In that case, Shift Media also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Shift Media has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Shift Media could be required to repay.

Impairment of financial assets

Shift Media assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Shift Media first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Shift Media determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Shift Media's financial liabilities include trade payables, financial liabilities included in other payables and accruals, and amounts due to the ultimate holding company and fellow subsidiaries.

Subsequent measurement — loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises invoiced value of purchases, freight and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred revenue

Deferred revenue represents receipt in advance from the selling of vouchers for which the corresponding consigned goods of merchants had yet to be delivered by Shift Media or redeemed by customers at Shift Media's redemption centre. Revenue is recognised and deferred revenue is released to profit or loss when the corresponding consigned goods have been delivered by Shift Media or redeemed by customers at the redemption centre.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Shift Media's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A provision for future refunds granted by Shift Media is recognised based on deal values and historical refund rates.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which Shift Media operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for taxable temporary differences while deferred tax assets are recognised for deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Shift Media and when the revenue can be measured reliably, on the following bases:

- (a) commission income, when the relevant services are rendered;
- (b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that Shift Media maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Share-based payments

During the Relevant Periods, Groupon, Inc., Shift Media's then ultimate holding company, operates certain incentive plans, including restricted stock units ("RSUs") as further detailed in note 18 to the Historical Financial Information, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the group companies of Groupon, Inc.. Employees of Shift Media receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details of which are given in note 18 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and Shift Media's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of Shift Media's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either Shift Media or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

Shift Media operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of Shift Media in an independently administered fund. Shift Media's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits

Termination benefits are recognised at the earlier of when Shift Media can no longer withdraw the offer of those benefits and when Shift Media recognises restructuring costs involving the payment of termination benefits.

Foreign currency transactions

The Historical Financial Information is presented in Hong Kong Dollar, which is Shift Media's functional currency. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Shift Media's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

Current tax and deferred tax

Significant judgements on the future tax treatments of certain transactions are required in determining income tax provisions. Shift Media carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There were no unrecognised tax losses at 31 December 2014 and 2015. The amount of unrecognised tax losses at 31 December 2016, subject to the agreement by the Hong Kong Inland Revenue Department, was HK\$12,357,830. Further details are contained in note 9 to the Historical Financial Information.

Provision for future refunds

Shift Media provides refunds for sales of deals featured on Shift Media's website. The amount of the provision for future refunds is estimated based on deal values and historical refund rates. Where the refund expenses incurred are different from the original provision, such differences would impact the profit or loss in the period in which the additional refund expenses are incurred.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the Relevant Periods.

An analysis of revenue and other income is as follows:

	Year ended 31 December		
	2014 HK\$	2015 HK\$	2016 HK\$
Revenue			
Commission income	121,307,114	126,533,159	88,673,994
Sale of goods	<u>571,499</u>	<u>267,798</u>	<u>16,344</u>
	<u>121,878,613</u>	<u>126,800,957</u>	<u>88,690,338</u>
Other income			
Bank interest income	65	3	2
Interest income from an intermediate holding company	<u>838,198</u>	<u>1,308,490</u>	<u>1,223,349</u>
	<u>838,263</u>	<u>1,308,493</u>	<u>1,223,351</u>

6. PROFIT/(LOSS) BEFORE TAX

Shift Media's profit/(loss) before tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2014 HK\$	2015 HK\$	2016 HK\$
Cost of inventories sold	729,410	351,480	20,345
Auditor's remuneration	345,726	372,258	363,337
Depreciation (note 10)	2,504,152	2,049,754	953,320
Minimum lease payments under operating leases	12,384,646	13,075,037	12,615,194
Employee benefit expenses (including directors' remuneration (note 7)):			
Salaries and allowances	50,758,752	56,611,392	42,483,995
Equity-settled share-based payment expenses	681,527	491,076	179,418
Pension scheme contributions (defined contribution scheme)	<u>1,619,186</u>	<u>1,195,640</u>	<u>874,749</u>
	<u>53,059,465</u>	<u>58,298,108</u>	<u>43,538,162</u>
Foreign exchange differences, net	210,351	4,683	(266,621)
Write-off of items of property, plant and equipment	18,667	17,970	—
Additional provision for refunds (note 15)	<u>13,024,310</u>	<u>8,197,487</u>	<u>6,675,813</u>

7. SHIFT MEDIA DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to Shift Media for the years ended 31 December 2015 and 2016.

The remuneration paid or payable to a director for the year ended 31 December 2014 is as follows:

	Fees	Salaries and	Pension	Total
	<i>HK\$</i>	<i>allowances</i>	<i>contributions</i>	<i>HK\$</i>
		<i>HK\$</i>	<i>HK\$</i>	
Danny Yeung Sheung Wu	—	825,569	5,000	830,569

8. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the Relevant Periods of five highest paid employees who are not a director of Shift Media are as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Salaries, allowances and benefits in kind	5,328,103	5,334,902	3,788,497
Performance related bonuses	1,953,414	176,820	222,084
Pension scheme contributions	64,250	90,000	69,317
	<u>7,345,767</u>	<u>5,601,722</u>	<u>4,079,898</u>

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2014	2015	2016
Nil to HK\$1,000,000	—	2	4
HK\$1,000,001 to HK\$1,500,000	3	2	—
HK\$1,500,001 to HK\$2,000,000	2	1	1
	<u>5</u>	<u>5</u>	<u>5</u>

9. INCOME TAX

During the years ended 31 December 2014 and 2015, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during each of these years. No provision for Hong Kong profits tax has been made for the year ended 31 December 2016 as Shift Media did not generate any assessable profit arising in Hong Kong.

	Year ended 31 December		
	2014 HK\$	2015 HK\$	2016 HK\$
Charge for the year	1,027,648	1,130,176	—
Underprovision/(overprovision) in prior years	81,724	103,702	(71,423)
Deferred (<i>note 16</i>)	<u>(312,593)</u>	<u>(94,181)</u>	<u>435,140</u>
Tax charge for the year	<u>796,779</u>	<u>1,139,697</u>	<u>363,717</u>

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory rate to the tax charge at the effective tax rate is as follows:

	Year ended 31 December		
	2014 HK\$	2015 HK\$	2016 HK\$
Profit/(loss) before tax	<u>5,237,314</u>	<u>7,211,386</u>	<u>(12,262,239)</u>
Tax at the statutory tax rate of 16.5%	864,156	1,189,879	(2,023,269)
Adjustments in respect of current tax of previous periods	81,724	103,702	(71,423)
Income not subject to tax	(138,313)	(215,902)	(201,853)
Expenses not deductible for tax	165,890	100,890	96,339
Tax losses not recognised	—	—	2,039,042
Others	<u>(176,678)</u>	<u>(38,872)</u>	<u>524,881</u>
Tax charge at the effective tax rate	<u>796,779</u>	<u>1,139,697</u>	<u>363,717</u>

There were no unrecognised tax losses at 31 December 2014 and 2015. At 31 December 2016, Shift Media had tax losses arising in Hong Kong of approximately HK\$12,357,830, subject to agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of Shift Media arising in Hong Kong.

As at 31 December 2016, the deferred tax assets in respect of these tax losses and other deductible temporary differences not recognised were as follows:

	As at 31 December		
	2014 HK\$	2015 HK\$	2016 HK\$
Tax losses	—	—	2,039,042
Depreciation below related depreciation allowance	—	—	406,816
Others	—	—	56,381
	<u>—</u>	<u>—</u>	<u>2,502,239</u>

Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences as at 31 December 2016 as the Shift Media Directors consider it uncertain that future taxable profits will be available to Shift Media against which the tax losses and deductible temporary differences can be utilised.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Software HK\$	Computer equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Total HK\$
31 December 2014						
At 1 January 2014:						
Cost	3,167,143	183,000	2,119,544	1,314,512	423,935	7,208,134
Accumulated depreciation	<u>(1,728,987)</u>	<u>(138,000)</u>	<u>(1,343,268)</u>	<u>(594,413)</u>	<u>(108,142)</u>	<u>(3,912,810)</u>
Net carrying amount	<u>1,438,156</u>	<u>45,000</u>	<u>776,276</u>	<u>720,099</u>	<u>315,793</u>	<u>3,295,324</u>
At 1 January 2014, net of accumulated depreciation	1,438,156	45,000	776,276	720,099	315,793	3,295,324
Additions	1,436,060	39,000	364,068	477,844	133,258	2,450,230
Write-off	—	—	—	(18,667)	—	(18,667)
Depreciation provided during the year	<u>(1,266,659)</u>	<u>(20,417)</u>	<u>(597,431)</u>	<u>(522,689)</u>	<u>(96,956)</u>	<u>(2,504,152)</u>
At 31 December 2014, net of accumulated depreciation	<u>1,607,557</u>	<u>63,583</u>	<u>542,913</u>	<u>656,587</u>	<u>352,095</u>	<u>3,222,735</u>
At 31 December 2014:						
Cost	4,603,203	222,000	2,483,612	1,750,356	557,193	9,616,364
Accumulated depreciation	<u>(2,995,646)</u>	<u>(158,417)</u>	<u>(1,940,699)</u>	<u>(1,093,769)</u>	<u>(205,098)</u>	<u>(6,393,629)</u>
Net carrying amount	<u>1,607,557</u>	<u>63,583</u>	<u>542,913</u>	<u>656,587</u>	<u>352,095</u>	<u>3,222,735</u>

APPENDIX II
**HISTORICAL FINANCIAL INFORMATION
OF THE TARGET COMPANY**

	Leasehold improvements <i>HK\$</i>	Software <i>HK\$</i>	Computer equipment <i>HK\$</i>	Office equipment <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Total <i>HK\$</i>
31 December 2015						
At 31 December 2014 and 1 January 2015:						
Cost	4,603,203	222,000	2,483,612	1,750,356	557,193	9,616,364
Accumulated depreciation	<u>(2,995,646)</u>	<u>(158,417)</u>	<u>(1,940,699)</u>	<u>(1,093,769)</u>	<u>(205,098)</u>	<u>(6,393,629)</u>
Net carrying amount	<u>1,607,557</u>	<u>63,583</u>	<u>542,913</u>	<u>656,587</u>	<u>352,095</u>	<u>3,222,735</u>
At 1 January 2015, net of accumulated depreciation						
Additions	—	—	—	72,145	—	72,145
Write-off	—	—	—	—	(17,970)	(17,970)
Depreciation provided during the year	<u>(1,244,280)</u>	<u>(28,000)</u>	<u>(302,992)</u>	<u>(365,563)</u>	<u>(108,919)</u>	<u>(2,049,754)</u>
At 31 December 2015, net of accumulated depreciation	<u>363,277</u>	<u>35,583</u>	<u>239,921</u>	<u>363,169</u>	<u>225,206</u>	<u>1,227,156</u>
At 31 December 2015:						
Cost	3,322,798	222,000	2,483,612	1,822,501	480,998	8,331,909
Accumulated depreciation	<u>(2,959,521)</u>	<u>(186,417)</u>	<u>(2,243,691)</u>	<u>(1,459,332)</u>	<u>(255,792)</u>	<u>(7,104,753)</u>
Net carrying amount	<u>363,277</u>	<u>35,583</u>	<u>239,921</u>	<u>363,169</u>	<u>225,206</u>	<u>1,227,156</u>
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	3,322,798	222,000	2,483,612	1,822,501	480,998	8,331,909
Accumulated depreciation	<u>(2,959,521)</u>	<u>(186,417)</u>	<u>(2,243,691)</u>	<u>(1,459,332)</u>	<u>(255,792)</u>	<u>(7,104,753)</u>
Net carrying amount	<u>363,277</u>	<u>35,583</u>	<u>239,921</u>	<u>363,169</u>	<u>225,206</u>	<u>1,227,156</u>
At 1 January 2016, net of accumulated depreciation						
Additions	—	—	62,440	24,400	—	86,840
Depreciation provided during the year	<u>(363,277)</u>	<u>(28,000)</u>	<u>(193,836)</u>	<u>(289,713)</u>	<u>(78,494)</u>	<u>(953,320)</u>
At 31 December 2016, net of accumulated depreciation	<u>—</u>	<u>7,583</u>	<u>108,525</u>	<u>97,856</u>	<u>146,712</u>	<u>360,676</u>
At 31 December 2016:						
Cost	3,322,798	222,000	2,546,052	1,846,901	480,998	8,418,749
Accumulated depreciation	<u>(3,322,798)</u>	<u>(214,417)</u>	<u>(2,437,527)</u>	<u>(1,749,045)</u>	<u>(334,286)</u>	<u>(8,058,073)</u>
Net carrying amount	<u>—</u>	<u>7,583</u>	<u>108,525</u>	<u>97,856</u>	<u>146,712</u>	<u>360,676</u>

11. TRADE RECEIVABLES

Customers make payments to Shift Media through payment processors. The payment processors usually settle trade receivables within 4 to 30 days. At 31 December 2014, 2015 and 2016, all of the trade receivables of Shift Media were neither past due nor impaired. Shift Media does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest-bearing.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2014 <i>HK\$</i>	2015 <i>HK\$</i>	2016 <i>HK\$</i>
Prepayments	346,345	79,547	338,290
Rental deposits	2,919,701	1,268,471	2,726,495
Deposits and other receivables	<u>30,005</u>	<u>1,752,320</u>	<u>2,004</u>
	3,296,051	3,100,338	3,066,789
Less: Portion classified as non-current assets	<u>(2,919,701)</u>	<u>(1,268,471)</u>	<u>(2,726,495)</u>
Portion classified as current assets	<u><u>376,350</u></u>	<u><u>1,831,867</u></u>	<u><u>340,294</u></u>

Other payables are non-interest-bearing and have an average term of three months.

13. TRADE PAYABLES

At 31 December 2014, 2015 and 2016, all of the trade payables of Shift Media, based on the voucher redemption date, were aged within one month.

The trade payables were non-interest-bearing and were normally settled on 30-day terms.

14. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2014 <i>HK\$</i>	2015 <i>HK\$</i>	2016 <i>HK\$</i>
Deferred revenue	4,043,365	2,235,344	1,856,823
Other payables	1,820,528	3,001,417	1,560,922
Accrued employee benefits	3,013,493	2,627,994	1,345,906
Accruals	<u>1,458,845</u>	<u>1,525,442</u>	<u>1,506,108</u>
	10,336,231	9,390,197	6,269,759
Less: Portion classified as non-current liabilities	<u>(1,050,744)</u>	<u>(1,042,113)</u>	<u>(974,011)</u>
Portion classified as current liabilities	<u><u>9,285,487</u></u>	<u><u>8,348,084</u></u>	<u><u>5,295,748</u></u>

Other payables are non-interest-bearing and have an average term of three months.

15. PROVISIONS

	Future refunds <i>HK\$</i>
At 1 January 2014	1,227,265
Additional provision	13,024,310
Amounts utilised during the year	<u>(13,610,429)</u>
At 31 December 2014 and 1 January 2015	641,146
Additional provision	8,197,487
Amounts utilised during the year	<u>(8,371,579)</u>
At 31 December 2015 and 1 January 2016	467,054
Additional provision	6,675,813
Amounts utilised during the year	<u>(6,801,166)</u>
At 31 December 2016	<u><u>341,701</u></u>

Shift Media provides for refunds for sales of deals featured on its website. The amount of the provision for future refunds is estimated based on deal values and historical refund rates. The estimation basis is reviewed on an ongoing basis and is revised where appropriate.

16. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Relevant Periods are as follows:

	Depreciation below related depreciation allowance <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2014	28,366	—	28,366
Deferred tax credited to profit or loss during the year (<i>note 9</i>)	<u>245,824</u>	<u>66,769</u>	<u>312,593</u>
At 31 December 2014 and 1 January 2015	274,190	66,769	340,959
Deferred tax credited to profit or loss during the year (<i>note 9</i>)	<u>83,886</u>	<u>10,295</u>	<u>94,181</u>
At 31 December 2015 and 1 January 2016	358,076	77,064	435,140
Deferred tax charged to profit or loss during the year (<i>note 9</i>)	<u>(358,076)</u>	<u>(77,064)</u>	<u>(435,140)</u>
At 31 December 2016	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

17. SHARE CAPITAL

	As at 31 December		
	2014	2015	2016
	HK\$	HK\$	HK\$
Issued and fully paid:			
200,000 ordinary shares	<u>26,509,254</u>	<u>26,509,254</u>	<u>26,509,254</u>

18. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

Groupon, Inc., the ultimate holding company of Shift Media during the Relevant Periods, operates certain incentive plans (the “Plans”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the group companies of Groupon, Inc.. The details of Groupon, Inc.’s incentive compensation plan granted to Shift Media’s employees are summarised below.

Restricted Stock Units (“RSUs”)

Groupon, Inc. granted certain employees restricted stock units under the Plans. Restricted stock units are independent of option grants and are generally subject to forfeiture if employment terminates prior to the release of the restrictions. RSUs do not have the voting rights of common stock. RSUs granted under the Plan vest over two to four years from the date of grant, with 25% of the awards vesting after one year and the remaining awards vesting on a monthly or quarterly basis thereafter. RSUs are generally amortised on a straight-line basis over the requisite service period.

A summary of the movements in the number of RSUs awarded to employees during the Relevant Periods is as follows:

	2014		2015		2016	
	Weighted average fair value at the grant date (US\$ per share)	Number of RSUs	Weighted average fair value at the grant date (US\$ per share)	Number of RSUs	Weighted average fair value at the grant date (US\$ per share)	Number of RSUs
Outstanding at beginning of the year	8.76	77,584	7.61	16,442	7.13	7,848
Granted during the year	7.09	13,900	7.15	4,748	—	—
Vested during the year	9.64	(12,542)	7.87	(10,997)	7.12	(4,182)
Forfeited during the year	8.77	<u>(62,500)</u>	7.09	<u>(2,345)</u>	7.09	<u>(1,005)</u>
Outstanding and unvested at end of the year	7.61	<u>16,442</u>	7.13	<u>7,848</u>	7.16	<u>2,661</u>

The fair values of the RSUs are estimated at their respective dates of grant using observable market prices.

During the years ended 31 December 2014, 2015 and 2016, Shift Media recognised share-based payment expenses of HK\$681,527, HK\$491,076 and HK\$179,418, respectively, under HKFRS 2 *Share-based Payment*.

Subsequent to 31 December 2016, on 3 March 2017, all outstanding RSUs were lapsed upon the acquisition of the entire issued share capital of Shift Media by Talent Ascent Limited on 3 March 2017.

19. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2014, 2015 and 2016, Shift Media earned interest income of HK\$838,198, HK\$1,308,490 and HK\$1,223,349, respectively, arising from a loan advanced to an intermediate holding company. The interest earned was debited and included in the same loan balance.

20. OPERATING LEASE COMMITMENTS

Shift Media leases certain of its office and warehouse properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years.

At the end of each of the Relevant Periods, Shift Media had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2014	2015	2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	10,318,060	9,067,786	7,451,760
In the second to fifth years, inclusive	<u>1,743,000</u>	<u>4,208,880</u>	<u>5,017,710</u>
	<u><u>12,061,060</u></u>	<u><u>13,276,666</u></u>	<u><u>12,469,470</u></u>

21. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Shift Media had the following material transactions with related parties during the Relevant Periods:

	<i>Notes</i>	Year ended 31 December		
		2014	2015	2016
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
The ultimate holding company:				
Management service fee	<i>(i)</i>	2,670,589	2,880,204	2,726,766
Fellow subsidiaries:				
Management service fee	<i>(i)</i>	9,880,635	33,490,978	33,921,755
Royalty fee	<i>(ii)</i>	<u>3,118,538</u>	<u>3,179,491</u>	<u>—</u>

Notes:

- (i) The management service fees were charged based on terms mutually agreed between Shift Media and the respective related parties.
- (ii) The royalty fee was charged based on terms mutually agreed between Shift Media and a fellow subsidiary.
- (b) The balances with the ultimate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (c) The principal amount included in the loan to an intermediate holding company was unsecured, bore interest at the London Interbank Offered Rate plus margins of 0.91% to 1.93%, 1.11% to 2.38% and 0.30% to 1.24% per annum for the years ended 31 December 2016, 2015 and 2014, respectively, and had no fixed terms of repayment. Subsequent to 31 December 2016, pursuant to the written resolution of the board of directors dated 3 March 2017, Shift Media agreed to waive a loan to an intermediate holding company of HK\$33,975,925 and the corresponding loss was charged to profit or loss for the year ending 31 December 2017.

- (d) Compensation of key management personnel of Shift Media included directors' remuneration as disclosed in note 7 to the Historical Financial Information.

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

Financial assets

	Loan and receivables		
	2014	2015	2016
	HK\$	HK\$	HK\$
Trade receivables	8,338,278	9,998,584	5,168,361
Deposits and other receivables	2,949,706	3,020,791	2,677,155
Due from the ultimate holding company	1,835,468	—	—
Due from fellow subsidiaries	9,640,511	9,753,906	9,141,761
Loan to an intermediate holding company	45,833,400	47,141,890	48,365,239
Bank balances	<u>26,534,837</u>	<u>54,562,203</u>	<u>17,945,340</u>
	<u>95,132,200</u>	<u>124,477,374</u>	<u>83,297,856</u>

Financial liabilities

	Financial liabilities at amortised cost		
	2014	2015	2016
	HK\$	HK\$	HK\$
Trade payables	42,371,266	37,821,202	24,369,308
Financial liabilities included in other payables and accruals	2,856,091	4,427,039	3,067,030
Due to the ultimate holding company	—	200,944	265,649
Due to fellow subsidiaries	<u>6,243,434</u>	<u>30,546,659</u>	<u>18,364,829</u>
	<u>51,470,791</u>	<u>72,995,844</u>	<u>46,066,816</u>

23. FAIR VALUE

Management has assessed that the fair values of trade receivables, deposits and other receivables, a loan to an intermediate holding company, bank balances, trade payables, financial liabilities included in other payables and accruals, and balances with the ultimate holding company and fellow subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the non-current portion of rental deposits has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, the carrying amount is not significantly different from its fair value.

Shift Media did not have any financial assets and liabilities measured at fair value as at 31 December 2014, 2015 and 2016, respectively.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from Shift Media's financial instruments are interest rate risk, credit risk and liquidity risk. The board of Shift Media Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loan to an intermediate holding company with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit/(loss) before tax (through the impact on a floating rate receivable). There is no impact on the Company's equity except on the retained profits.

	2014		2015		2016	
	Increase/ (decrease) in basis points %	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in basis points %	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in basis points %	Decrease/ (increase) in loss before tax HK\$
Hong Kong dollar	50	224,734	50	224,734	50	224,734
Hong Kong dollar	<u>(50)</u>	<u>(224,734)</u>	<u>(50)</u>	<u>(224,734)</u>	<u>(50)</u>	<u>(224,734)</u>

Credit risk

The credit risk of Shift Media's other financial assets, which comprise amounts due from fellow subsidiaries and the ultimate holding company, a loan to an intermediate holding company, bank balances, trade receivables, and deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the aggregate carrying amount of these instruments. At 31 December 2014, 2015 and 2016, the Company had certain concentrations of credit risk as 100%, 100% and 100% of the Company's trade receivables were due from the Company's two largest debtors, respectively.

Liquidity risk

Shift Media's objective is to ensure there are adequate funds to meet commitments associated with its financial liabilities. Cash flows of Shift Media are closely monitored by senior management on an ongoing basis.

The financial liabilities of Shift Media as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, either had no fixed terms of repayment or would mature in less than one year.

Capital management

The primary objectives of Shift Media's capital management are to safeguard Shift Media's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

Shift Media manages its capital structure and makes adjustments to it in light of changes in economic conditions and business strategy. To maintain or adjust the capital structure, Shift Media may adjust dividend payments to its shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014, 2015 and 2016, respectively.

Shift Media's new ultimate holding company, Hong Kong Television Network Limited, has agreed to provide adequate funds for Shift Media to meet its liabilities as and when they fall due.

25. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Shift Media in respect of any period subsequent to 31 December 2016.

**MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY FOR
THE THREE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

Set out below is the management discussion and analysis on the Target Company for the three years ended 31 December 2014, 2015 and 2016, based on the financial information of the Target Company as set out in Appendix II to this circular.

BUSINESS OVERVIEW

Target Company commences operations in June 2010, and operates local e-commerce marketplace that connect merchants to consumers by offering goods and services in e-voucher for redemption, generally at a discount. Consumers access this marketplace through the Target Company's websites and its mobile applications.

FINANCIAL OVERVIEW**Revenue and Profit/(loss) for the year**

Target Company's revenue mainly represented the commission income recognised when the relevant services are rendered. The decrease in revenue during 2016 was primarily due to increased market competition and reduced marketing and promotional resources compared with prior years. The business highly depends on the ability to attract and retain merchants to offer products or services on competitive terms. In 2016, due to market competition in the groupon consumer market, the total number of units sold for the year ended December 31, 2016 relative to the year ended December 31, 2015 decreased substantially. Competition is from a variety of sources — some of our competitors offered deals as an add-on to their core business, and others have adopted a business model similar to the Target Company.

Moreover, given the restructuring plan in headquarter primarily related to workforce reductions in the international operations, the Hong Kong operation has also been impacted such as by outsourcing certain key functions including customer service, deal editorial, etc. to share services centers in Malaysia, Singapore and India, and by the reduction of marketing and promotional resources, which in turns, has brought negative customer experience and decreased awareness on deal offerings. In this regard, the revenue and the results for the year decreased significantly in 2016 which caused a loss of HK\$12.6 million relative to the net profit of HK\$4.4 million in 2014 and HK\$6.1 million in 2015.

Other Income

Other income for the three years ended 31 December 2014, 2015 and 2016 amounted to HK\$0.8 million, HK\$1.3 million and HK\$1.2 million, respectively, which mainly represented the interest income arised from a loan to an intermediate holding company.

Cost of inventories sold

Costs of inventories sold represented the cost of merchandise for the sales of goods during the relevant years. Target Company has focused on the e-voucher selling business in the two years ended 31 December 2016 and hence caused the decrease in sales of goods.

Depreciation Expenses

Depreciation mainly included the depreciation charges for leasehold improvements, computer and office equipment. The depreciation expenses for the three years ended 31 December 2014, 2015 and 2016 were HK\$2.5 million, HK\$2.0 million and HK\$1.0 million, respectively, and the decrease in 2016 was mainly due to the increase in fully depreciated fixed assets during the year.

Minimum lease payments under operating leases

Minimum lease payments under operating leases represented lease payments for the use of offices and redemption center. The minimum lease payments amounted to HK\$12.4 million, HK\$13.1 million and HK\$12.6 million for the three years ended 31 December 2014, 2015 and 2016, respectively.

Staff Cost

Target Company incurred staff costs of HK\$53.1 million, HK\$58.3 million and HK\$43.5 million for the three years ended 31 December 2014, 2015 and 2016, respectively. Total staff cost decreased in 2016 was mainly due to the decrease in number of employees as a result of the outsourcing arrangement for certain functions to share services centers in Malaysia, Singapore and India.

Other Expenses

Other expenses mainly represented selling and marketing expenses, consulting fees and other general and administrative expenses. Other expenses for the three years ended 31 December 2014, 2015 and 2016 amounted to HK\$48.8 million, HK\$47.1 million and HK\$45.0 million, respectively.

Selling and marketing expenses incurred mainly for payment processing, marketing costs for customer acquisitions and increase in awareness of the marketplace and service and products offerings. A variety of digital marketing channels have been used to make customers aware of the deal offerings on the mobile and web platforms, through search engine optimization, search engine marketing, emails, affiliate channels and display advertising.

Consulting fees included service charges from third parties and inter-company shared services support from the share services center.

Other general and administrative expenses represent audit fee, local travelling, entertainment, recruitment, office supplies and other administrative expenses.

Property, plant and equipment

Property, plant and equipment mainly represented leasehold improvements, computer equipment and software, office equipment and furniture and fixtures for offices' and redemption centers' use. The decrease was mainly due to the depreciation charges during the years.

Trade Receivables

Trade receivables for the three years ended 31 December 2014, 2015 and 2016 amounted to HK\$8.3 million, HK\$10.0 million and HK\$5.2 million, respectively. Trade receivables mainly represented the receivables from third party payment processors which received the customer payments on behalf of the Target Company and usually settles within 4 to 30 days. Decrease in balance of 2016 was mainly due to the decrease in revenue.

Trade Payables

Trade payables are payables to merchants which were based on the voucher redemption and were non-interest-bearing. The balance for the three years ended 31 December 2014, 2015 and 2016 amounted to HK\$42.4 million, HK\$37.8 million and HK\$24.4 million, respectively. Decrease in balance was mainly caused by decrease in revenue and corresponding payment to merchants.

Other Payables and accruals

Other payables and accruals mainly include deferred revenue, accrued legal and professional fee, accrued employee benefits and other expenses. The balance for the three years ended 31 December 2014, 2015 and 2016 amounted to HK\$9.3 million, HK\$8.3 million and HK\$5.3 million, respectively.

Loan to an intermediate holding company

The loan was unsecured, had no fixed terms of repayment and bore an interest at the London Interbank Offered Rate plus margins per annum. Subsequent to the year ended 31 December 2016 but before the Completion, the board of directors of the Target Company agreed to waive the loan in full.

Due from/(to) fellow subsidiaries and the ultimate holding company

The amounts due from/(to) fellow subsidiaries and the ultimate holding company were unsecured, interest-free and had no fixed terms of repayment. Subsequent to the year ended 31 December 2016 but before the Completion, the amounts were settled by cash or through inter-company balance settlement.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2014, 2015 and 2016, Target Company had bank balances of HK\$26.5 million, HK\$54.6 million and HK\$17.9 million and there was no outstanding borrowing. The decrease in total cash position was due to decrease in revenue in 2016 and settlement of amounts due to fellow subsidiaries. There is no pledged bank deposit as at 31 December 2014, 2015 and 2016. For the year ended 31 December 2014, Target Company has capital expenditures of HK\$2.5 million mainly for renovation of office and there were no material capital expenditures for the two years ended 31 December 2015 and 2016. For the upcoming capital expenditure requirements for the business, Target Company is expected to be funded by internal resources within the Group.

Target Company collects customer payments from credit card payment processors shortly after a sale occurs and remits payments to merchants and suppliers at a later date in accordance with the related contractual payment terms. In majority, Target Company makes payment to merchants only after customer redemption has been completed. The redemption model generally improves the overall cash flow since no payment is required to make to merchants until the customers redeem the vouchers. As the Target Company is in net cash position, no gearing ratio is presented for the three years ended 31 December 2014, 2015 and 2016.

REMUNERATION POLICY

As of 31 December 2014, 2015 and 2016, Target Company had 136, 101 and 76 full-time employees, respectively. Target Company provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the company and individual performance. Target Company also provides comprehensive medical insurance coverage, retirement benefits schemes, staff training programs and provides share option scheme from its ultimate holding company before the Acquisition.

The significant decrease in number of employees for the year ended 31 December 2016 was due to the arrangement of services outsourcing to share services centers in Malaysia, Singapore, and India.

CHARGE ON ASSETS

As of 31 December 2014, 2015 and 2016, Target Company has no charge on its assets.

FOREIGN CURRENCY EXPOSURE

All of the Target Company's monetary assets and liabilities are denominated in Hong Kong dollars and United States Dollar, and the Target Company conducts its business transactions only in Hong Kong dollars. 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, management does not expect significant foreign exchange gains or losses between the two currencies.

CONTINGENT LIABILITIES

Target Company did not have material contingent liabilities or off-balance-sheet obligations as at 31 December 2014, 2015 and 2016, respectively.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group, being the Group together with the Target Company, as if the Acquisition had been completed on 31 December 2016 for the unaudited pro forma consolidated statement of assets and liabilities. Details of the Acquisition are set out in the section headed “Letter from the Board” contained in this circular.

The unaudited pro forma financial information of the Enlarged Group has been prepared in accordance with paragraph 4.29 of the Listing Rules and has been prepared by the Directors of the Company for the purpose of illustrating the effect of the Acquisition pursuant to the terms of the Agreement. The unaudited pro forma financial information was prepared based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as of the specified dates or any future date.

The unaudited pro forma financial information of the Enlarged Group is based upon: (i) the audited consolidated statement of financial position of the Group as at 31 December 2016, which has been extracted from the Company’s annual report for the year ended 31 December 2016; (ii) the audited statement of financial position of the Target Company as at 31 December 2016 as set out in the accountants’ report of the Target Company in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Acquisition. These pro forma adjustments are (i) directly attributable to the Acquisition and not relating to other future events or decisions and (ii) factually supportable.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group set out in the Company’s annual report for the year ended 31 December 2016, the accountants’ report on the financial information of the Target Company as set out in Appendix II to this circular and other financial information contained in this circular.

The unaudited pro forma financial information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as followed:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

APPENDIX IV	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

	Consolidated statement of assets and liabilities of the Group as at 31 December 2016 <i>Note 1</i> <i>HK\$'000</i>	Statement of assets and liabilities of the Target Company as at 31 December 2016 <i>Note 2</i> <i>HK\$'000</i>	Pro forma adjustments <i>Note 3</i> <i>HK\$'000</i>	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	917,048	361		917,409
Intangible assets	112,248	—		112,248
Long term receivables, deposits and prepayments	8,209	2,726		10,935
Other financial assets	828,019	—		828,019
	1,865,524	3,087	—	1,868,611
Current assets				
Accounts receivable	—	5,168		5,168
Other receivables, deposits and prepayments	39,201	341		39,542
Due from Target Company's fellow subsidiaries before acquisition	—	9,142	(9,142)	—
Loan to Target Company's intermediate holding company before acquisition	—	48,365	(48,365)	—
Inventories	17,833	—		17,833
Tax recoverable	—	809		809
Other current financial assets	355,406	—		355,406
Cash at bank and in hand	44,397	17,945	1,400	63,742
	456,837	81,770	(56,107)	482,500

APPENDIX IV	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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	Consolidated statement of assets and liabilities of the Group as at 31 December 2016 <i>Note 1</i> <i>HK\$'000</i>	Statement of assets and liabilities of the Target Company as at 31 December 2016 <i>Note 2</i> <i>HK\$'000</i>	Pro forma adjustments <i>Note 3</i> <i>HK\$'000</i>	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group <i>HK\$'000</i>
Current liabilities				
Accounts payable	22,714	24,369		47,083
Other payables and accrued charges	115,942	5,296		121,238
Due to Target Company's ultimate holding company before acquisition	—	266	(266)	—
Due to Target Company's fellow subsidiaries before acquisition	—	18,364	(18,364)	—
Deposits received	1,905	—		1,905
Provisions	—	342		342
Bank loans	184,144	—		184,144
	324,705	48,637	(18,630)	354,712
Net current assets	132,132	33,133	(37,477)	127,788
Total assets less current liabilities	1,997,656	36,220	(37,477)	1,996,399
Non-current liabilities				
Deferred tax liabilities	993	—		993
Accruals	—	974		974
	993	974	—	1,967
Net assets	1,996,663	35,246	(37,477)	1,994,432

C. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

- (1) The consolidated statement of assets and liabilities of the Group as at 31 December 2016 was extracted from the 2016 Annual Report of the Group.
- (2) The statement of assets and liabilities of the Target Company as at 31 December 2016 was extracted from the accountants' report of the Target Company as set out in Appendix II to the Circular.
- (3) Upon the completion of the Acquisition, the identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 3 (Revised) "Business Combinations".

For the purpose of the unaudited pro forma financial information of the Enlarged Group and for illustrative purpose only, the allocation of the purchase price is determined based on the carrying amount of the Target Company's identifiable assets and liabilities as at 31 December 2016. The unaudited pro forma financial information does not include adjustments for the fair value of other identifiable assets and liabilities of the Target Company and recognition of additional intangible assets, if any.

Pursuant to the terms of the Agreement, the total consideration for the Acquisition amounts to approximately HK\$5,210,000 subject to completion adjustment for the net working capital as at the date of Completion of the Target Company.

The adjustment represents the net settlement of consideration which was offset by the outstanding balances with the inter-companies of the Target Company as at 31 December 2016.

APPENDIX IV	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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The calculation of the adjusted consideration is as follows:

	<i>HK\$</i> <i>in million</i>
Consideration per Agreement before adjustment for net working capital	5.21
Working capital adjustment (<i>Note 1</i>)	32.16
Less: Due from Target Company's fellow subsidiaries before acquisition	(9.14)
Less: Loan to Target Company's intermediate holding company before acquisition	(48.37)
Add: Due to Target Company's ultimate holding company before acquisition	0.27
Add: Due to Target Company's fellow subsidiaries before acquisition	18.36
Other adjustment (<i>Note 1</i>)	<u>0.11</u>
	<u>(6.61)</u>
Vendor's contribution amount	<u><u>(1.40)</u></u>

Note:

1. For the proforma purpose, the working capital adjustment is determined based on the aggregate amount of the Target Company's current assets of HK\$81.77 million, current liabilities of HK\$48.64 million and non-current liabilities of HK\$0.97 million as of 31 December 2016. Other adjustment represents the difference in amounts of tax recoverable/payable of the Target Company as of 31 December 2016, prepared in accordance with the HKFRSs and US GAAP.

Subsequent to 31 December 2016 and before the date of completion of the acquisition, all of the inter-companies balances, except for the loan to an intermediate holding company, were settled. The loan to an intermediate holding company of the Target Company as at the date of completion of acquisition was waived by the board of directors of the Target Company.

APPENDIX IV	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.



**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF HONG KONG TELEVISION NETWORK LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hong Kong Television Network Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2016 and related notes as set out in Part A to C of Appendix IV to the circular dated 15 May 2017 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A to C of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of Shift Media Group Limited (the "Acquisition") on the Group's financial position as at 31 December 2016 as if the Acquisition had taken place at 31 December 2016. As part of this process, information about the Group's financial position as at 31 December 2016 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

15 May 2017

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, 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 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Name of Director	Interests in shares			Total interests in shares	Interests in underlying shares pursuant to share options	Aggregate Interests	Approximate percentage interests in the Company's issued share capital (Note 1)
	Personal interests	Corporate interests	Family Interests				
Mr. Wong Wai Kay, Ricky	15,236,893	339,814,284 (Note 2(i))	—	355,051,177	—	355,051,177	43.89%
Mr. Cheung Chi Kin, Paul	25,453,424	24,924,339 (Note 2(ii))	—	50,377,763	—	50,377,763	6.23%
Ms. Wong Nga Lai, Alice	50,000	—	—	50,000	1,500,000	1,550,000	0.19%
Ms. To Wai Bing	95,239	—	—	95,239	—	95,239	0.01%

Notes:

- This percentage is based on 809,016,643 Shares as at the Latest Practicable Date.

2. The corporate interests of Mr. Wong Wai Kay, Ricky and Mr. Cheung Chi Kin, Paul arise through their respective interests in the following companies:
- (i) 339,814,284 Shares are held by Top Group International Limited which is 42.12% owned by Mr. Wong Wai Kay, Ricky; the interests of Top Group International Limited in the Company is also disclosed under the section headed “Substantial Shareholder” in this circular.
 - (ii) 24,924,339 Shares are held by Worship Limited which is 50% owned by Mr. Cheung Chi Kin, Paul.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive (including their spouse and children under 18 years of age) of the Company had any interest 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.

3. SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, 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	339,814,284	42.00%

Note: This percentage is based on 809,016,643 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any persons (other than the 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 by the Company under Section 336 of the SFO.

4. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as is known to the Directors, none of the Directors or their respective associates had any business or interest in any business which competes or may compete, either directly or indirectly, with the business of the Enlarged Group or have or may have any other conflict of interest with the Enlarged Group pursuant to the Listing Rules.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any 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.

8. MATERIAL CONTRACT

The following contract (not being contracts in the ordinary course of business) was entered into by member of the Enlarged Group within the two years immediately preceding the date of this circular which is or may be material:

- (a) the main contract dated 20 August 2015 and entered into among Hong Kong Media Production Company Limited and CR Construction Company Limited in relation to the construction works for the construction of the multimedia production and distribution centre, a building to be constructed on the land situate at Tseung Kwan O Industrial Estate at remaining portion of Section S of Tseung Kwan O Town Lot No. 39 and extensions thereto, at a contract sum of HK\$450.00 million.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. QUALIFICATION AND CONSENTS OF EXPERTS AND EXPERTS' INTERESTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants, Hong Kong
KPMG	Certified Public Accountants, Hong Kong

As at the Latest Practicable Date, none of the above experts has:

- (a) any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) any interest, direct or indirect, in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and references to their names included herein in the form and context in which they appear.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 13th Floor, Trans Asia Centre, No.18 Kin Hong Street, Kwai Chung, New Territories, Hong Kong during normal business hours on any weekday (other than Saturdays and public holidays) from the date of this circular until 14 days hereafter:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the year ended 31 December 2015 and 31 December 2016;
- (c) the accountants' report of the Target Company from Ernst & Young as set out in Appendix II to this circular;
- (d) the report from KPMG in connection with the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;
- (e) the Agreement;
- (f) the Master Transition Services and License Agreement;

- (g) copies of each of the material contracts referred to in the section headed “Material Contracts” in Appendix V to this circular; and
- (h) this circular.

12. GENERAL

- (a) The registered office of the Company is located at 13th Floor, Trans Asia Centre, No.18 Kin Hong Street, Kwai Chung, New Territories, Hong Kong.
- (b) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, No.183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The Secretary of the Company is Ms. Wong Nga Lai, Alice. She is a qualified member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Association of Chartered Certified Accountants (ACCA).
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.