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Notes:

(1) Diluted (loss)/earnings per share is computed by dividing (loss)/profit for the year by the diluted weighted average number of ordinary shares during the year.

(2) Capital expenditures represent additions to property, plant and equipment.

Exchange rate information

The Hong Kong dollar is freely convertible into other currencies (including the U.S. dollar). Since 1983, the Hong Kong dollar has been officially linked to the U.S. dollar and the current rate is US$1.00 to HK$7.80. Despite the efforts of the HKMA to keep the official exchange rate stable, the market exchange rate of the Hong Kong dollar against the U.S. dollar is influenced by the forces of supply and demand in the foreign exchange markets. Furthermore, the official exchange rate is itself subject to fluctuations and can be reset in circumstances where the secondary foreign exchange markets move beyond the HKMA's ability to back the official rate with foreign reserves.

Exchange rates between the Hong Kong dollar and other currencies are influenced by the rate between the U.S. dollar and the Hong Kong dollar.

As of April 22, 2016, the exchange rate between the Hong Kong dollar and the U.S. dollar was 7.7564. The following table sets forth the average, high, low and period-end exchange rate between the Hong Kong dollar and the U.S. dollar (in Hong Kong dollars per U.S. dollar) for the fiscal periods indicated:

	Average(1)	High	Low	Period-end
	HK$	HK$	HK$	HK$
Fiscal 2011	7.7776	7.8087	7.7506	7.7876
Fiscal 2012	7.7670	7.8040	7.7532	7.7560
Fiscal 2013	7.7559	7.7654	7.7493	7.7544
Fiscal 2014	7.7542	7.7669	7.7495	7.7531
Fiscal 2015	7.7524	7.7686	7.7495	7.7507
January 2016	7.7812	7.8270	7.7505	7.7876
February 2016	7.7829	7.7969	7.7700	7.7763
March 2016	7.7604	7.7745	7.7528	7.7563
April 2016 (through April 22, 2016)	7.7554	7.7569	7.7537	7.7564

Note:

(1) The average rates on the last business day of each month during the relevant fiscal year or the average rates for each business day during the relevant monthly period.

Source: The exchange rate refers to the rate as set forth in the H.10 statistical release of the Federal Reserve Board.

B. Capitalization and indebtedness

Not applicable

C. Reasons for the offer and use of proceeds

Not applicable

D. Risk factors

In addition to the other information contained in this annual report on Form 20-F, you should carefully consider the following risk factors. If any of the possible events described below occurs, our business, financial condition, results of operations or prospects could be adversely affected. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also adversely affect us.

Risks Relating to Our Business and Operations

Our application for a free TV license in Hong Kong was rejected and although our judicial review was successful, the Court of Appeal overturned the favorable judgment of the Court of First Instance, we may not ultimately receive a license.

In 2009, we submitted an application for a free TV license to the HKBA. On October 15, 2013, the Chief Executive in Council announced that it had rejected our application. As a result, we are not able to operate domestic free television program services in Hong Kong. On April 11, 2014, we submitted a new application for a free TV license, which is being considered by the CA. On January 6, 2014, we filed an application for leave to apply for judicial review in respect of the Chief Executive's denial of our first application and the substantive hearing was conducted from August 27 to 29, 2014. The court's judgment was handed down on April 24, 2015, quashing the Chief Executive's denial of our application for a free TV license and directing the government to pay our legal fees and expenses in relation to the judicial review. On May 19, 2015, the Chief Executive in Council filed an appeal against the court's judgment. On October 22, 2015, the Chief Executive in Council obtained a court order to stay the execution of the said judgment pending resolution of the appeal. The hearing of the appeal was conducted on February 17 and 18, 2016, and on April 6, 2016 the Court of Appeal handed down its judgment, overturning the favorable Court of First Instance's decision and ruling that the Chief Executive was within his rights to deny our first application for a free TV license.

We have submitted a new application for a free TV license on April 11, 2014 but may not ultimately receive a license. As we had planned on domestic free television being one of the major distribution channels for our self-produced television content and the primary source of our advertising revenue, any failure to obtain a free TV license will make us more reliant on the other distribution channels we have been exploring, such as our mobile TV services, and developing, such as our OTT and Online Shopping Business.

Depending on the progress we make in obtaining a free TV license, we may at some point cease pursuing the domestic free television business in Hong Kong, which could have a material adverse effect on our business, prospects and financial condition.

Our application to use the widely adopted DTMB standard to provide mobile TV services in Hong Kong using the license of our subsidiary was rejected by the CA, and our judicial review was unsuccessful.

By acquiring the Target Company in December 2013, we acquired a license to provide mobile TV services in Hong Kong. In April 2014, however, we suspended the launch of mobile TV services after being denied permission by the CA to provide the services using the DTMB transmission standard without also having a free TV license. As a consequence, we have reduced the scale of our workforce in the creative and production teams, and we suspended the filming of new television programs. The Court of First Instance granted us leave to apply for judicial review, and the substantive hearing was conducted on November 26 and 27, 2014. On September 29, 2015, the Court of First Instance handed down judgment and ordered that the judicial review application be dismissed. We are now in discussions with the CA about our proposal to instead adopt Digital Video Broadcasting – Terrestrial 2 as the transmission standard for the provision of mobile TV services. However, there can be no assurance that the proposal will be approved, and given the uncertainties, there can be no assurance that we will in fact resume content production.

As we had planned on our mobile TV services being one of the major distribution channels for our self-produced television content and a significant source of our advertising revenue, our failure to gain permission to provide mobile TV services in Hong Kong using an acceptable transmission standard will make us more reliant on the other distribution channels we have been developing, such as our OTT platform, and on other business development, such as our online shopping business.

If we do not make real progress in the near future toward permission to provide mobile TV service in Hong Kong using an acceptable transmission standard, we may cease pursuing the mobile TV business in Hong Kong, which may have a material adverse effect on our business, prospects and financial condition.

We have a limited operating history in our Multimedia Business, which makes it difficult to evaluate our business.

Our Multimedia Business includes our offer of free television programming through our OTT platform, our online shopping business, multimedia and drama productions, and content distribution and licensing, as well as artiste management services. We launched our OTT platform, HKTVmall, in November 2014 and our online shopping business in February 2015. As a result, we have a limited operating history in the Multimedia Business for you to evaluate our business, financial performance and prospects. Our historical results, which were largely based on the Telecom Business that we disposed of in May 2012, are not indicative of our future performance. To date, we have not achieved significant revenue or profitability in our Multimedia Business and, going forward, we may not be able to generate significant revenue or achieve profitability.

We may not be able to implement our business plans and expansion strategies successfully.

We may not be able to implement our business plans and expansion strategies successfully. Our business plans include strengthening our position in the multimedia and television industry, in part through the expansion of our OTT platform, as well as expanding our online presence with our online shopping business. Our business plans and strategies have been formulated based on a number of assumptions, including successful cooperation with our business partners, and are expected to place substantial demands on our managerial, operational, financial and other resources.

The success of our business plans and expansion strategies depends on a number of factors, including our ability to:

- build our infrastructure on schedule and within budget;
- produce high-quality content appealing to our customers within budget;
- source merchants with products and services which are appealing to our customers and have attractive pricing and sufficient inventory for ready availability for delivery to our customers in their required timeframe;
- generate revenue through advertising, online shopping operations, content licensing and distribution, content production, artiste management and other multimedia-related platforms;
- develop effective marketing channels in Hong Kong and international markets; and
- maintain effective operational cost and quality control.

The failure to achieve any of the above could increase our costs of operation and investment. We may not be able to manage our operations efficiently to compete successfully in our existing markets or any new markets that we may enter, which may materially and adversely affect our business, prospects, financial condition and results of operations.

Our OTT and Online Shopping Businesses may not be profitable.

We have refined our business plan to focus primarily on the development of our OTT and online shopping businesses. On November 19, 2014, we officially announced the launch of the HKTVmall – an OTT platform integrating entertainment and a one-stop online shopping mall in Hong Kong. The OTT platform offers free broadcasts of our self-produced drama series, variety and infotainment programs and purchased content. After the trial run on December 17, 2014, our online shopping mall was formally launched on February 2, 2015. HKTVmall can be accessed through multiple Internet-connected devices, such as smart phones running on Android, iOS and Windows, tablet computers, personal computers, smart TV sets, Android TV boxes and game consoles. For the twelve months ended December 31, 2015, we incurred a loss of HK$812.6 million. We may incur substantial expenditure in connection with these endeavors before we can generate significant revenue from our OTT and online shopping businesses. As a result, our OTT and online shopping businesses may not be able to become profitable in the future.

The construction and development of the Centre is subject to a number of risks beyond our control.

We started building the Centre on land granted by Hong Kong Science and Technology Parks Corporation in the Tseung Kwan O Industrial Estate in February 2012. In August 2015, we appointed the main contractor to build the Centre. The building work is making progress and is expected to be completed in October 2016. While an independent project team has been appointed to manage the construction, there can be no assurance that construction delays or cost overruns will not occur. Further, we are required to meet certain milestones under our agreement with the Hong Kong Science and Technology Parks Corporation, and, should we fail to meet those milestones, we may lose our rights under the land grant. In particular, we must complete building works on or before February 28, 2017, and commence operations by June 30, 2017. The success of the project will be subject to a number of risks beyond our control, including:

- the possibility of construction delays or cost overruns due to inclement weather, labor or material shortages, work stoppages, market inflation or delayed regulatory approvals;
- the possibility of discovering previously undetected defects or problems; and
- natural disasters, social disorder and other extraordinary events.

The occurrence of any of these events could further delay the construction and development of the Centre or increase construction costs, which may in turn have a material adverse effect on our business, prospects, financial condition and results of operations.

The development of our Multimedia Business requires significant capital expenditure, which may not be available on satisfactory terms or may impose a burden on our other business activities.

We expect to incur significant capital expenditure to develop our Multimedia Business, a major portion of which will be for the building of the Centre. Our capital expenditure plans will also include the further development of our OTT and online shopping businesses. While we intend to fund such expenditure by using our currently available cash, as well as unutilized banking facilities, we may not have adequate capital to fund our projected capital expenditure if there is any further delay in our capital expenditure plans or if there is an increase in costs. If we cannot finance our capital expenditure using existing available cash and unutilized banking facilities, we may be required to incur additional debt, reduce capital expenditure, sell assets, or raise equity. Market conditions may impair our ability to obtain financing to support our capital expansion plans. Additional debt or equity financing may not be available, and debt financing, if available, may involve restrictions on our investing, financing and operating activities.

If we fail to capture viewer preferences, our business prospects and reputation could be materially and adversely affected.

The success of our self-produced multimedia content, such as the entertainment programs broadcast on our OTT platform and available in HKTVmall, depends primarily on our ability to capture viewer preferences, which vary among different demographic groups and regions and could change rapidly. In general, the popularity of multimedia content among viewers is mainly determined by the producer’s ability to originate and source viewer-engaging content, create high-quality scripts and characters that appeal to a broad range of viewers, and cast popular talent and directors. If viewers’ reaction to our multimedia content is different from that we have predicted, the success and popularity of our multimedia content may be jeopardized. If our multimedia content fails to perform as expected, we may not be able to establish a strong reputation in the multimedia content production business, and our business prospects may be materially and adversely affected.

Changes in consumer viewing habits could adversely affect our business.

The manner in which consumers view multimedia content is changing rapidly. Digital cable, wireless and Internet content providers are continuing to improve technologies, content offerings, user interfaces, and business models that allow consumers to access multimedia content with interactive capabilities. The devices through which multimedia content can be consumed are also changing rapidly. Currently, multimedia content may be viewed on our OTT platform via multiple Internet-connected devices, such as smart phones, tablet computers, personal computers, smart TV sets, Android TV boxes and game consoles. If other providers of multimedia content address the changes in consumer viewing habits in a manner that is better able to meet consumer needs and expectations, our business could be materially and adversely affected.

Our distribution of multimedia content may be materially and adversely affected by instability of the network of our prior Telecom Business or disruption in the network's continued development.

Upon the completion of the disposal of the Telecom Business, we were granted an indefeasible right of use, among other rights, to use certain of HKBN's telecommunications capacity for a term of 20 years to enable the delivery of our multimedia content through the telecommunications network operated by HKBN. We expect the indefeasible right of use will form one of the main channels of distribution in Hong Kong for our multimedia content. Instability of the telecommunications network or disruption in the network's continued development could materially and adversely affect our operations.

Our business could be materially and adversely affected by claims of infringement of intellectual property rights.

Monitoring and preventing the unauthorized use of our intellectual property rights may be difficult, costly and time-consuming. We are currently challenging a third party's applications to register trademarks incorporating our name. If we are unable to adequately protect our copyrights and other intellectual property rights, these rights may be infringed, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Moreover, third parties may claim that our self-produced multimedia content, including television content, or our trademarks, misappropriate or infringe their intellectual property rights, including those with respect to their previous productions, scripts, characters and trademarks. We are actively defending ourselves against a third-party challenge to one of our registered trademarks. Litigation over intellectual property rights could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. If we are unsuccessful in defending any such assertions or claims, our business, financial condition, results of operations and reputation may be materially and adversely affected.

Our success depends on our ability to attract, retain and rehire high-quality production crew and talent artistes in a highly competitive market.

The Multimedia Business requires the collaboration of many different workstreams and people with different expertise. Our ability to attract, retain and, in some cases, re-hire high-quality production crew and popular talent artistes will be a key factor to our success We may not be able to re-hire Talents, in particular, production team members and talent artistes whom we have made redundant or whose contracts we have not renewed, or to make replacement hires, if we resume content production in the future or need them in order to meet other future business needs.

In addition, we face competition for high-quality production crew and popular talent artistes from other multimedia content production companies and other organizations. Competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which would increase our future operating expenses.

We depend on key personnel, and our business and growth prospects may be disrupted by the loss of their services.

Our success depends upon the continued service of our key executives and Talents. If any of our key personnel were unable or unwilling to continue in their present positions, we may not be able to replace them easily and our business may be significantly disrupted. Furthermore, as our industry is characterized by high demand and increased competition for Talents, we may need to offer higher compensation and other benefits in order to attract and retain key personnel. We might not be able to attract and retain the key personnel that we need to achieve our business objectives.

Our logistics and warehousing functions are human capital intensive, and we may not be able to recruit sufficient human resources and successfully retain them.

Our logistics and warehousing functions are human capital intensive, and we may not be able to recruit sufficient human resources and successfully retain them. Our ability to recruit and retain temporary and permanent logistics and warehousing professionals depends on several factors, including our ability to provide our logistics and warehousing professionals with assignments that they view as attractive and to provide competitive compensation packages. The costs of attracting logistics and warehousing professionals and providing them with attractive compensation packages may be higher than we anticipate, or we may be unable to pass the costs on to our customers, which may reduce our profitability. Moreover, if we are unable to recruit temporary and permanent logistics and warehousing professionals, or if we lose a significant number of our logistics personnel, our service execution may deteriorate, which could cause customer dissatisfaction with our online shopping services, which could negatively impact our business, prospects, financial condition and results of operations.

We may lose investor confidence in the reliability of our financial statements if we fail to maintain effective internal controls over financial reporting, which in turn could harm our business and adversely affect the trading prices of our ADSs.

Under the Sarbanes-Oxley Act, every public company must include a management report on its internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. Under the Sarbanes-Oxley Act, we are also required to have an independent registered public accounting firm to attest to and report on the effectiveness of our internal controls over financial reporting. For a detailed discussion of our controls and procedures, see Item 15 "Controls and procedures."

Notwithstanding our efforts, our management could conclude that our internal controls over financial reporting are not effective. Even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may conclude that our internal controls over financial reporting are not effective. If either of these were to occur, we could experience a negative reaction in the financial markets and incur additional costs to improve our internal controls. If we do not successfully design and implement changes to our internal controls and management systems, or if we fail to maintain the adequacy of these controls as the relevant standards are modified or amended from time to time, we may not be able to comply with the Sarbanes-Oxley Act. This could subject us to regulatory scrutiny and penalties that could lead to a loss of public confidence in our management, which in turn could, among other things, adversely affect our shareholders' confidence, our stock price and our ability to raise additional capital and operate our business as projected.

We may not be able to sustain the level of our investment income we generated in fiscal 2015.

We recorded “other income, net” of HK$67.5 million in fiscal 2015, which was significantly less than in previous years. As compared with fiscal 2014, the decrease of HK$80.1 million was mainly due to four additional months of investment income being recorded in the sixteen months ended December 31, 2014, additional HK$25.4 million exchange loss recognized in fiscal 2015 due to the depreciation of the Renminbi, and the realization of a portion of our investment portfolio to support the operating activities of the Group. As we develop our Multimedia Business, less surplus cash will be available for these investments and, accordingly, we may not be able to generate a similar level of other income as we did in fiscal 2015.

In addition, our investment income is affected by many factors beyond our control. For example, our interest income is affected by changes in interest rates, which are highly sensitive to many factors, including governmental monetary policy and domestic and international economic and political conditions. Deterioration in the credit of the securities in which we have invested and general market conditions may also materially and adversely affect our investment income.

We may not be able to realize our investment in other financial assets at our desired time, price and transaction size, or to receive the debt principal back upon maturity.

We recorded other financial assets of HK$1,445.8 million as of December 31, 2015 which represented investment in available-for-sale securities mainly composed of debt securities, a significant portion of which has a maturity date of over one year from December 31, 2015, and equity securities. Although we mostly invested in liquid instruments with sound credit quality, such as investment grade products, securities of constituents in major stock indices or securities of state-owned or -controlled companies, we may still face liquidity risk, which is highly sensitive to many factors, including issuers’ credit and financial condition, governmental monetary policy and general market conditions. We may not be able to realize our investment in other financial assets at our desired time, price and transaction size.

In addition, we may not be able to recover the par value of our investment in available-for-sale debt securities, upon maturity or at all, if the credit quality and financial position of the debt issuers deteriorate.

If we are unable to offer products that attract new customers and recurring purchases from existing customers through our online shopping platform, HKTVmall, our business, financial condition and results of operations may be materially and adversely affected.

We launched our 24-hour online shopping platform on HKTVmall in February 2015. We expect this online shopping business will be one of the major contributors to our business. Our future growth depends on our ability to continue to attract new online shopping customers as well as recurring purchases from existing online shopping customers. Constantly changing consumer preferences have affected and will continue to affect the online retail industry. We must stay abreast of emerging consumer preferences and anticipate product trends that will appeal to existing and potential customers. Our customers choose to purchase authentic and quality products on our website due in part to the attractive prices that we offer, and they may choose to shop elsewhere if we cannot match the prices offered by other websites or by physical stores. If our customers cannot find their desired products on our website at attractive prices, they may lose interest in us and visit our website less frequently or even stop visiting our website altogether, which in turn could materially and adversely affect our business, prospects, financial condition and results of operations.

Our online shopping business faces intense competition. We may lose customers if we fail to compete effectively.

The online retail industry in Hong Kong is intensely competitive. Our current or potential competitors include major online retailers in the Hong Kong area that offer a wide range of general merchandise product categories, major traditional retailers in Hong Kong that are moving into online retailing, major internet companies that have commenced online retail businesses, online retail companies in Hong Kong focused on specific product categories, and physical retail stores, including big-box stores that also aim to offer a one-stop shopping experience. In addition, new and enhanced technologies may increase the competition in the online retail industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

Increased competition may reduce our margins or result in significant losses. When we set prices, we have to consider how competitors have set prices for the same or similar products. When they cut prices or offer additional benefits to compete with us, we may have to lower our own prices or offer additional benefits or risk losing market share, either of which could harm our financial condition and results of operations.

Some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their website, mobile application and systems development than us. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, prospects, financial condition and results of operations.

Our online shopping business offers product categories which are not familiar to us, and a substantial increase in the number of products in the future may expose us to new challenges and more risks.

As of April 27, 2016, our online shopping mall had over 700 stores offering more than 110,000 products in categories which include fashion, mother and baby, skin care and make up, personal care, medicine and health, supermarket, food and wine, household, music, video and books, games, toys and stationery, outdoor and sports, pet care, digital and electronics products, and dinning and leisure. In addition, we may substantially increase the number of products we offer in the future. Our lack of familiarity with these products and lack of relevant customer data relating to these products may make it more difficult for us to anticipate customer demand and preferences. We may misjudge customer demand. It may also make it more difficult for us to inspect and control quality and ensure proper handling, storage and delivery. We may experience higher return rates on new products, receive more customer complaints about them and face costly product liability claims as a result of selling them for the merchants who are the owners of the products, which could harm our brand and reputation as well as our financial performance. Furthermore, we may not be able to negotiate favorable terms with suppliers. We may need to provide aggressive promotional offers to gain market share or remain competitive in new categories. It may be difficult for us to achieve profitability in the new product categories, and our profit margin, if any, may be lower than we anticipate, which could adversely affect our overall profitability and results of operations.

We may be subject to product liability claims if people or properties are harmed by the products we sell through our online shopping platform.

We are a marketplace with a substantial number of products and services, selling for third-party merchants through our online shopping platform, some of which may be defectively designed or manufactured. As a result, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the operator of the marketplace selling the product. Although we would have legal recourse against the third-party merchants or manufacturer of such products under Hong Kong law, attempting to enforce our rights against such parties may be expensive, time-consuming and ultimately futile. While we maintain product liability insurance in relation to products we sell, the products giving rise to liability may not be covered or the sum insured may not be sufficient to cover any loss or claim we may encounter. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, prospects, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

We are subject to payment-related risks.

We enable customers of our online shopping business to make payments through our website by working with third-party online payment processing service providers. As we rely on third parties to provide payment processing services, including processing payments made with credit cards, it could disrupt our business or even we may need to scale down or suspense the online shopping business if these companies become unwilling or unable to provide these services to us. We may be subject to human error, fraud and other illegal activities in connection with third-party online payment services. If our data security systems are breached or compromised, we may lose our ability to accept credit card payments from our customers, and we may be subject to claims for damages from our customers and third parties, all of which could adversely and materially affect our reputation as well as our results of operations.

If we are unable to conduct our marketing activities cost-effectively, our business, financial conditions and results of operations may be materially and adversely affected.

We have incurred, and we may in the future incur, significant expenses on a variety of marketing efforts designed to increase sales of our products and enhance our brand recognition. Our marketing activities may not be well received by consumers and may not result in the levels of sales that we anticipate. Marketing approaches and tools in the online shopping business in Hong Kong are evolving. This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share, cause our net revenue to decline and negatively impact our prospects to achieve profitability.

Failure to protect confidential information of the customers of our online shopping business, due to network against security breaches or other causes, could damage our reputation and substantially harm our business and results of operations.

A significant challenge to the online retail industry is the secure storage of confidential information and its secure transmission over public networks. The online payments for products sold on our online shopping platform are settled through third-party online payment processing service providers. Maintaining complete security for the storage and transmission of confidential information on our technology platform, such as customer names, personal details and billing addresses, is essential to maintaining customer confidence.

We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining the confidential or private information we hold as a result of our customers' visits to our website and use of our mobile applications. Any individuals or entities that obtained our customers' confidential or private information could engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by third-party providers of online payment services through which our customers may elect to make payment for purchases. If we give third parties greater access to our technology platform in the future as part of a strategy of providing more technology services to third-party sellers and others, it may become more challenging for us to ensure the security of our systems. Any compromise of our information security, or the information security measures of our contracted third-party online payment and other service providers, could have a material and adverse effect on our reputation, business, prospects, financial condition and results of operations.

Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet have recently come under increased public scrutiny. As online retail continues to evolve, we believe that increased regulation by the relevant authorities of data privacy on the Internet is likely. We may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers, suppliers and third-party sellers. Compliance with any additional laws could be expensive, and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally, which may reduce the number of orders we receive.

The proper functioning of our technology platform is essential to our business. Any failure to maintain the satisfactory performance of our website and systems could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and availability of our technology platform are critical to our success and our ability to attract and retain customers and provide quality customer service. All of our sales of products are made online through our website. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our website or reduced order fulfillment performance could reduce the volume of products sold and the attractiveness of product offerings on our website. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill customer orders. Security breaches, computer viruses and hacking attacks have become more prevalent in the e-commerce industry. We can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could reduce customer satisfaction, damage our reputation and result in a material decrease in our revenue.

Additionally, we must continue to upgrade and improve our technology platform to support our business growth; failure to do so could impede our growth. However, we cannot assure you that we will be successful in executing these system upgrades and improvement strategies. In particular, our systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. If our existing or future technology platform does not function properly, it could cause system disruptions and slow response times, affecting data transmission, which in turn could materially and adversely affect our business, financial condition and results of operations.

Any interruption in our logistics operation, including our warehousing and delivery operations, for an extended period may have an adverse impact on our business.

We have set up our own logistics center at Kowloon Bay with logistics, warehousing and delivery teams. Our ability to process and fulfill orders accurately and provide high quality customer service depends on the smooth operation of our logistics team, which includes our warehousing operation and the delivery services provided by our couriers and drivers. Our logistics operations may be vulnerable to damage caused by fire, flood, power outage, telecommunications failure, systems breakdown, break-ins, human error and other events. If any of our warehouse or delivery services were rendered incapable of operation, then we may be unable to fulfill relevant customer orders. We do not carry business interruption insurance, and the occurrence of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not be able to renew the tenancy of our logistics center at a reasonable market rate or find a suitable new tenancy on reasonable terms to continue our HKTVmall operation.

Our logistics center at Kowloon Bay operates as a warehousing and delivery team, which can provide delivery within as little as 24 hours in the case of most supermarket products, and next-day delivery or at customers' selected timeslots for most other local products. This enables the merchants joining HKTVmall to avoid having to invest in complicated logistics support while still being able to deliver a satisfying shopping experience to their customers. The premises for this logistics center are leased by us. Should we be unable to renew our tenancy at a reasonable market rate upon expiration of the tenancy, or find a suitable new tenancy on reasonable terms for replacement or expansion of our current logistics center, our operations could become more expensive, less attractive to merchants, or less convenient for our customers, any of which could negatively impact our operations and financial results.

We may incur liability or become subject to penalties for counterfeit or unauthorized products sold on our website, or for products sold on our website or content posted on our website that infringe on third-party intellectual property rights, or for other misconduct.

As of April 27, 2016, our online shopping mall has over 700 stores offering more than 110,000 products in categories which include fashion, mother and baby, skin care and make up, personal care, medicine and health, supermarket, food and wine, household, music, video and books, games, toys and stationery, outdoor and sports, pet care, digital and electronics products, and dining and leisure. A substantial majority of such products and services are offered by third-party merchants through our online shopping platform which functions as a marketplace for such third parties. We also directly sell from our own inventory a portion of the products and services on our online shopping platform. Some of the products offered on our online shopping platform may be defectively designed or manufactured.

In addition to acting as a marketplace for merchants, we source a portion of products in our inventory from third-party suppliers. Third-party sellers on our online marketplace are separately responsible for sourcing the products they sell on our website. Although we have adopted measures to verify the authenticity and authorization of products sold on our website and avoid potential infringement of third-party intellectual property rights in the course of sourcing and selling products, we may not always be successful in this.

In the event that counterfeit, unauthorized or infringing products are sold on our website, or infringing content is posted on our website, we could face claims that we should be held liable. Irrespective of the validity of such claims, we could incur significant cost and effort in either defending against or settling such claims. If there is a successful claim against us, we might be required to pay substantial damages or refrain from further sale of the relevant products. Potential liability under Hong Kong law if we negligently participated or assisted in infringement activities associated with counterfeit goods includes injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability. Moreover, such third-party claims or administrative penalties could result in negative publicity, and our reputation could be severely damaged. Any of these events could have a material and adverse effect on our business, prospects, results of operations or financial condition.

Our results of operations may be subject to seasonal fluctuations.

We may experience seasonality in our online shopping business similar to other retail businesses in Hong Kong. For example, sales in the traditional retail industry are significantly higher in the fourth quarter of each calendar year than in the preceding three quarters. Given that our OTT services were launched only in November 2014 and our online shopping mall formally began operations in February 2015, we are still assessing the significance of any seasonal fluctuations in our business and their impact on our results of operations. Our business, financial conditions and results of operations for future periods may experience seasonal fluctuations.

If we cannot sell the inventory of HKTVmall above costs or before the relevant expiration dates, we may need to write off inventory and suffer inventory loss.

Our ability to sell our inventory at a profit and prior to the relevant expiration dates is affected by many factors, including factors beyond our control. The retail industry is highly competitive and fragmented, with large numbers of companies operating in our region, both online and offline. Historically, retail competitors have competed aggressively on the basis of price, resulting in decreased margins on sales. If we cannot match or remain within a reasonable competitive distance from our competitors' prices, we may lose sales volume. In addition, if our retail competitors are able to provide more innovative or higher quality products, or better customer financing or a superior experience, or if they implement more effective marketing programs, our ability to compete and our results of operations could be adversely affected. If our sales volumes suffer, or we are not able to accurately predict sales volumes and timing, we may suffer from expiring inventory. In such cases, our results of operations would be negatively impacted, and we may need to write off the inventory and suffer inventory loss.

Risks Relating to the Regulatory, Political and Economic Environment

We are subject to consumer protection laws that could require us to modify our current business practices and incur increased costs.

We are subject to Hong Kong laws and regulations that regulate retailers generally or govern online retailers specifically. If these regulations were to change or if we, suppliers or third-party sellers on our marketplace were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered on our website and hurt our business and results of operations. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditure or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

We may be adversely affected by the complexity, uncertainties and changes in Hong Kong regulation of Internet-related businesses.

We are subject to Hong Kong laws and regulations that regulate the Internet industry. The Internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. New laws and regulations may be promulgated that will regulate Internet activities, including online retail. If these new laws and regulations are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations at the time they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties which may materially and adversely affect our business, prospectus, results of operations and financial condition.

Currency fluctuations of the Hong Kong dollar, our functional currency, may increase our operating costs and adversely affect our profitability.

We are exposed to foreign exchange risk because our revenue is predominantly denominated in Hong Kong dollars, while a portion of our operating costs and some of our capital expenditure plans are denominated in U.S. dollars, Renminbi or other foreign currencies. In addition, a significant portion of our investments in available-for-sale securities and deposits is denominated in U.S. dollars and Renminbi.

Although the Hong Kong dollar has been linked to the U.S. dollar since 1983, it may not continue to be linked. Any material depreciation of the Hong Kong dollar against the U.S. dollar, Renminbi or other currencies would increase our operating costs, make some of our capital expenditure plans more expensive and adversely affect our profitability. In addition, any depreciation in U.S. dollar or Renminbi against the Hong Kong dollar would reduce the value of our investments in available-for-sale securities and deposits.

Our Chairman and Vice Chairman have significant ownership interests in the Company. They could engage in transactions that could conflict with the interests of our shareholders.

Our Chairman and Vice Chairman each have an indirect ownership interest in our Company through Top Group International Limited, which, as of April 27, 2016, held approximately 42% of the Company’s shares, of which approximately 42% and 27% was owned by our Chairman and Vice Chairman, respectively. Top Group International Limited is a special purpose vehicle incorporated in the British Virgin Islands. Its board of directors consists of Mr. Wong and Mr. Cheung. Mr. Wong and Mr. Cheung have entered into a voting agreement pursuant to which they agreed to vote the 339,814,284 shares held by Top Group International Limited, the 15,236,893 shares held by Mr. Wong individually, and the 50,377,763 shares held by Mr. Cheung individually, collectively as a group. Our Chairman and Vice Chairman could take actions that may not be in the best interests of our other shareholders.

We believe we were a passive foreign investment company for our taxable year ended December 31, 2015, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our American depository shares or ordinary shares.

Based on the market price of our American depository shares, the value of our assets, and the composition of our income and assets, we believe we were a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2015. In addition, it is likely one or more of our subsidiaries were also PFICs for such year. A non-U.S. corporation will be a PFIC for any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the “asset test”). In general, the total value of our assets for purposes of the asset test will be determined based on the market price of our American depositary shares and ordinary shares. A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our American depositary shares and ordinary shares, our PFIC status will depend in large part on the market price of the American depositary shares and ordinary shares, which may fluctuate significantly. Furthermore, unless our share value increases and/or we invest a substantial amount of our cash and other passive assets in assets that produce active income, there is a significant risk we will be a PFIC for our taxable year ending December 31, 2016. Because we believe we were a PFIC for our taxable year ended December 31, 2015, certain adverse U.S. federal income tax consequences could apply to a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation”) who holds an American depository share or an ordinary share with respect to any “excess distribution” received from us and any gain from a sale or other disposition of the American depositary shares or ordinary shares. See “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company.”

Risks Relating to Our ADSs

We have effectuated the delisting of our ADSs from Nasdaq and may terminate the registration of our securities with the U.S. Securities and Exchange Commission in the future, and this may adversely affect our share price.

On November 27, 2015, we announced that the Board has resolved to delist its ADSs from Nasdaq. The delisting was sought in view of the limited holdings and trading volume of the ADSs and the time and costs of maintaining the listing of the ADSs in the United States. On December 8, 2015, we filed with the U.S. Securities and Exchange Commission a Form 25 to effect the delisting from Nasdaq as from December 19, 2015. Since the delisting, our ADRs have been traded in the over-the-counter markets, and The Bank of New York Mellon Corporation has continued to act as our ADR depositary pursuant to the existing Deposit Agreement. We have not arranged for the listing or registration of the ADSs or the ordinary shares on another national securities exchange in the United States or for the quotation of the ADSs or the ordinary shares in a quotation medium in the United States. The delisting of our ADSs from Nasdaq and the possible deregistration under the Exchange Act may have a negative impact on the price of our ADSs and ordinary shares.

As a foreign private issuer, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that are more lenient than those of a U.S. issuer.

As a foreign private issuer, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic issuers, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents and authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K upon the occurrence of specified significant events. In addition, the executive compensation disclosure requirements to which we are subject under Form 20-F are less rigorous than those required of U.S. issuers under Form 10-K. Furthermore, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are not large accelerated filers or accelerated filers are required to file their annual report on Form 10-K within 90 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation FD, aimed at preventing issuers from making selective disclosure of material information.

Holders of ADSs must act through the depositary to exercise their rights as shareholders of our Company.

Holders of our ADSs do not have the same rights as our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement for the ADSs. If you are a holder of our ADSs, when a general meeting is convened, you may not receive sufficient notice to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but you might not receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders’ meeting.

Except in limited circumstances, the depositary for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, which could adversely affect your interests. Holders of our ordinary shares are not subject to this discretionary proxy.

You may be subject to limitations on the transfer of ADSs.

Our ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings, and you may not receive cash dividends or other distributions if it is impractical to make them available to you.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary will not make rights available to you unless either both the rights and any related securities are registered under the Securities Act or the distribution of them to ADS holders is exempted from registration under the Securities Act. We are not obligated to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

The holding, acquisition or exercise of voting control by non-Hong Kong resident ADS holders and shareholders may be restricted if we obtain a free TV license.

The holding, acquisition or exercise of voting control of a free TV license by persons who do not meet certain Hong Kong residency requirements as set out in the Broadcasting Ordinance ("**Unqualified Voting Controllers**") is restricted in various ways by the Broadcasting Ordinance. Such restrictions include, but are not limited to, the requirement for prior approval from the CA for the holding, acquisition or exercise of voting control by an Unqualified Voting Controller of more than 2% of a licensee and restrictions on the exercise of "voting control" by such Unqualified Voting Controller. Under the Broadcasting Ordinance, "voting control" means "the control of or the ability to control, whether directly or indirectly, the exercise of the right to vote attaching to one or more voting shares of a licensee." If we obtain a free TV license, our Company and any Unqualified Voting Controller will be subject to these restrictions. In addition to the cross-media ownership restrictions outlined above, the Broadcasting Ordinance also imposes restrictions on foreign ownership of a holder of a free TV license. The restrictions do not prohibit the ownership of any voting shares in a free TV licensee but rather take the form of prohibiting the exercise of any voting rights attached to such voting shares. If we obtain a free TV license, an unqualified voting controller of our Company will be subject to the voting restrictions as set out in Part 3 of Schedule 1 to the Broadcasting Ordinance. An "unqualified voting controller" under the Broadcasting Ordinance refers to a voting controller who is not a qualified voting controller, and a qualified voting controller refers to a voting controller who satisfies the ordinary resident requirement and who, in the case of an individual, has resided in Hong Kong for a period of no less than seven years or in the case of a corporation, whose directors satisfy the Hong Kong residency requirement. According to paragraph 20 (1) of Schedule 1 to the Broadcasting Ordinance, no unqualified voting controller may hold, acquire, or exercise or cause or permit to be exercised 2% to 6% or 6% to 10% or more than 10% of the total voting control of a free TV licensee without the prior approval of the CA. If an unqualified voting controller holds more than 10%, in the aggregate, of the total voting control of a licensee without the prior approval in writing of the CA, notwithstanding anything contained in the memorandum or articles of association of the licensee or any provision of the laws of Hong Kong apart from this section, he shall not exercise or cause or permit to be exercised, in relation to any question or matter arising at a general meeting of the licensee, voting rights exceeding, in the aggregate, 10% of the total voting control of the licensee. Paragraph 20(3) of Schedule 1 to the Broadcasting Ordinance provides that the CA may, in respect of any unqualified voting controller who is in contravention of such voting restriction, direct such unqualified voting controller in question to cease any such contravening act. If and when a free TV license is granted to our Company, an unqualified voting controller may need to seek the requisite approval of the CA for exercising its voting power in our Company. Our Company will be required to notify the CA of the unqualified voting controller pursuant to the directions of the CA and paragraphs 22 and 30 of Schedule 1 to the Broadcasting Ordinance. There are no restrictions, either pursuant to our Articles or to the laws of Hong Kong (other than the voting restrictions as set out in Part 3 of Schedule 1 to the Broadcasting Ordinance), on the rights of non-residents of Hong Kong or foreign persons to hold or exercise voting rights with respect to our ordinary shares, if we obtain a free TV license.