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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- HKTVmall has delivered a promising operational result in 2016 with accelerated growth in expanding its online shopping business in Hong Kong.

  — Our annual Gross Merchandise Value at HKTVmall has about 300% growth relative to 2015;

  — Average daily order intake increased from about 1,300 in January 2016 to 2,500 in December 2016, and even reached more than 3,000 orders now;

  — A promising upward trend on average order value to over HK$600 per order in December 2016;

  — Diversified portfolio of brands and products offering more than 135,000 products at HKTVmall as at marketplace by about 1,300 stores.

- Maintain stable financial position with investment in available-for-sale securities, cash at bank and in hand, net of bank loans, total of HK$1,043.7 million (31 December 2015: HK$1,548.8 million).

- Turnover increased by 65.8% to HK$187.1 million for the year ended 31 December 2016, among this, turnover from online shopping business reached HK$185.8 million, a growth of 410.5% relative to the corresponding period of 2015.

- Reduced loss to HK$257.1 million for the year ended 31 December 2016, an improvement of HK$555.5 million from the loss of HK$812.6 million for the corresponding year of 2015, mainly due to the continued growth on online shopping business, avoided cost from suspension on TV Programme production and no further impairment loss on Media Cash Generating Unit ("CGU") incurred for the year ended 31 December 2016 (31 December 2015: HK$327.8 million).

- Opening of HKTVmall concept stores in North Point and South Horizons as a marketing tool to connect to consumers in local neighborhood, this is an experiment to find out the most applicable O2O retail model in Hong Kong, such as using a 400–500 square feet concept store to better serve the consumers than a 20,000 square feet traditional brick and mortar retailers.

- Expanding logistics fulfilment centre from about 63,000 square feet to about 200,000 square feet hosting more than 500 logistic and warehousing professionals to cope with the significant growth in order intake, and a highly automated fulfillment system is under its pipeline and is expected to be launched in third quarter 2017 which shall bring us stable operations to turn loss making orders to be profitable.

- With the acquisition of 100% equity interest of Shift Media Group Limited ("Groupon HK"), representing the Hong Kong business of Groupon Inc. in early 2017, the synergy and collaboration between HKTVmall and Groupon HK shall expand our addressable market and widen our product portfolio in the online shopping space — a strategic step towards our goal to become the dominant and largest online shopping mall in Hong Kong.

The Board of Directors (the "Board" or the "Directors") of Hong Kong Television Network Limited ("HKTV" or the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**Year ended 31 December 2016** ***HK$'000***	Year ended 31 December 2015 *HK$'000*
Turnover	*3*	**187,071**	112,810
Programme costs		**–**	(320,740)
Cost of inventories		**(140,289)**	(23,113)
Valuation gains on investment properties		**6,700**	11,900
Other operating expenses	*4(a)*	**(380,454)**	(329,816)
Other income, net	*4(b)*	**70,947**	67,537
Finance costs, net	*4(c)*	**(1,017)**	(3,234)
Impairment losses	*5*	**–**	(327,810)
Loss before taxation		**(257,042)**	(812,466)
Income tax expense	*6*	**(74)**	(93)
Loss for the year		**(257,116)**	(812,559)
Basic and diluted loss per ordinary share (in Hong Kong dollars)	*9*	**HK$(0.32)**	HK$(1.00)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**Year ended 31 December 2016** *HK$'000*	Year ended 31 December 2015 *HK$'000*
Loss for the year		**(257,116)**	(812,559)
Other comprehensive income	*8*		
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of an overseas subsidiary		**20**	(2)
Available-for-sale securities: net movement in fair value reserve		**15,142**	(3,983)
Other comprehensive income		**15,162**	(3,985)
Total comprehensive income for the year		**(241,954)**	(816,544)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**31 December 2016** *HK$'000*	31 December 2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**917,048**	560,335
Intangible assets		**112,248**	125,410
Long term receivables, deposits and prepayments		**8,209**	31,445
Other financial assets	*10*	**828,019**	1,219,043
		1,865,524	1,936,233
Current assets			
Accounts receivable	*11*	**–**	29,731
Other receivables, deposits and prepayments		**39,201**	36,048
Inventories		**17,833**	15,352
Other current financial assets	*10*	**355,406**	226,709
Cash at bank and in hand		**44,397**	174,808
		456,837	482,648
Current liabilities			
Accounts payable	*12*	**22,714**	12,995
Other payables and accrued charges		**115,942**	92,652
Deposits received		**1,905**	1,905
Bank loans		**184,144**	71,793
		324,705	179,345
Net current assets		**132,132**	303,303
Total assets less current liabilities		**1,997,656**	2,239,536

	Note	**31 December 2016** *HK$'000*	31 December 2015 *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**993**	919
		993	919
NET ASSETS		**1,996,663**	2,238,617
Capital and reserves	*13*		
Share capital		**1,268,914**	1,268,914
Other reserves		**727,749**	969,703
TOTAL EQUITY		**1,996,663**	2,238,617

Notes:

1 BASIS OF PREPARATION

The financial information relating to the year ended 31 December 2016 and 31 December 2015 included in this preliminary announcement does not constitute the Company's statutory annual consolidated financial statements for those years 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 Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both 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 without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The annual results set out in the announcement are extracted from the Group's consolidated financial statements for such year which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Group's consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in available-for-sale securities, investment properties and certain financial assets and liabilities are stated at their fair values or amortised costs.

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

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

Note 2 provides information on any changes in accounting policies resulting from initial application of those developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 TURNOVER AND SEGMENT INFORMATION

Turnover

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

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Direct merchandise sales	**157,295**	25,349
Income from concessionaire sales and other service income	**28,531**	11,055
Licensing of programme rights and net advertising income	**1,245**	76,111
Artiste management services	**–**	295
	187,071	112,810

Segment information

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

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/crediting the following:

	Year ended 31 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
(a) Other operating expenses		
Depreciation	**34,230**	40,521
Advertising and marketing expenses	**29,290**	43,463
Auditor's remuneration	**2,230**	2,395
Operating lease charges in respect of land and buildings	**28,429**	13,051
Loss/(gain) on disposal of property, plant and equipment	**92**	(19)
Write down of inventories	**588**	339
Impairment for available-for-sale securities	**–**	7,020
Talent costs *(note 4(d))*	**189,100**	136,471
Amortisation of intangible assets	**13,162**	32,851
Write off of artiste prepayments	**–**	4,636
Reversal of provision for committed artiste payments	**–**	(3,841)
Others	**83,333**	52,929
	380,454	329,816
(b) Other income, net		
Bank interest income	**634**	15,020
Dividend income from available-for-sale equity securities	**1,693**	1,667
Interest income from available-for-sale debt securities	**68,182**	80,520
Gain on disposal of available-for-sale securities	**2,057**	2,079
Rentals from investment properties	**11,428**	11,428
Net exchange loss	**(16,593)**	(43,776)
Others	**3,546**	599
	70,947	67,537
(c) Finance costs, net		
Interest on bank loans	**828**	2,974
Bank charges	**189**	260
	1,017	3,234
(d) Talent costs		
Wages and salaries	**180,990**	137,125
Retirement benefit costs — defined contribution plans	**8,110**	6,011
	189,100	143,136
Less: Talent costs charged to programme costs	**–**	(6,665)
Talent costs included in other operating expenses	**189,100**	136,471

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

5 IMPAIRMENT LOSSES

The Group's Multimedia Business comprised of two cash generating units ("CGU"), namely "Media", which operates the multimedia and drama production and contents distribution business, and "E-commerce", which operates the online shopping business of the Group.

(a) Media CGU

During the year ended 31 December 2015, the Group recognised impairment loss on property, plant and equipment, intangible assets and programme costs with an aggregated amount of HK$327,810,000 in relation to the Media CGU. The impairment loss was considered by writing down the carrying value of Media CGU assets to their estimated recoverable amount of HK$213,267,000 which was the fair value less costs of disposal. The respective impairment loss recognised on property, plant and equipment, intangible assets, programme costs and other assets were HK$60,331,000, HK$232,937,000, HK$32,489,000 and HK$2,053,000.

As at 31 December 2016, the Group identified indications of further impairment of its Media CGU assets, primarily as a result of the uncertainty in relation to obtaining the necessary regulatory approvals for the provision of mobile television services. The Group assessed the recoverable amounts of these assets and no further impairment loss was recognised for the year ended 31 December 2016. The recoverable amounts of these assets were assessed based on their estimated fair value less costs of disposal, using market comparison approach mainly by reference to recent market transactions, quoted selling price of similar assets, acquisition costs and estimated replacement cost of these assets and the availability of active market of relevant or similar assets. The fair value on which the recoverable amount is based on is categorized as a level 3 measurement.

(b) E-commerce CGU

As of 31 December 2016, the Group identified indication of impairments and conducted an impairment testing in respect of its property, plant and equipment and intangible assets relating to E-commerce CGU. The recoverable amounts of these assets were based on the value in use of the E-commerce CGU, determined by discounting future cash flows to be generated from the continuing use of these assets. Key assumptions used in the estimation of value in use included discount rate, revenue growth rate and net profit margin. The estimated recoverable amounts of these assets exceeded their respective carrying amounts as of 31 December 2016. As such, the Group concluded that no impairment loss was required to be provided on the Group's property, plant and equipment and intangible assets for E-commerce CGU with aggregate carrying value of HK$219,718,000.

6 INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (16.5% for the year ended 31 December 2015) of the estimated assessable profits for the year.

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

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Current taxation		
Hong Kong		
— Provision for the year	**–**	–
Deferred taxation		
Origination and reversal of temporary differences	**(74)**	(93)
	(74)	(93)

7 DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2016 (31 December 2015: Nil).

8 OTHER COMPREHENSIVE INCOME

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

	Year ended 31 December 2016			Year ended 31 December 2015		
	Before-tax amount *HK$'000*	**Tax expense** *HK$'000*	**Net-of-tax amount** *HK$'000*	Before-tax amount *HK$'000*	Tax expense *HK$'000*	Net-of-tax amount *HK$'000*
Exchange difference on translation of financial statements of an overseas subsidiary	**20**	**–**	**20**	(2)	–	(2)
Available-for-sale securities: net movement in fair value reserve	**15,142**	**–**	**15,142**	(3,983)	–	(3,983)
Other comprehensive income	**15,162**	**–**	**15,162**	(3,985)	–	(3,985)

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

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Available-for-sale securities: net movement in fair value reserve		
— Changes in fair value recognised during the year	**17,199**	(8,924)
— Reclassified to profit or loss upon disposal	**(2,057)**	(2,079)
— Impairment loss charged to profit or loss	**–**	7,020
	15,142	(3,983)

9 LOSS PER SHARE

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Loss attributable to equity shareholders	**257,116**	812,559

The calculation of basic loss per share for the year ended 31 December 2016 and 31 December 2015 are based on the loss for the respective year and the weighted average of 809,017,000 ordinary shares in issue.

The diluted loss per share for the year ended 31 December 2016 and 31 December 2015 are the same as the basic loss per share as no potential dilutive ordinary shares were outstanding during the respective year.

10 OTHER FINANCIAL ASSETS

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Available-for-sale debt securities		
— Maturity dates within 1 year	**355,406**	226,709
— Maturity dates over 1 year	**788,310**	1,180,408
	1,143,716	1,407,117
Available-for-sale equity securities		
— Listed	**28,538**	27,525
— Unlisted	**11,171**	11,110
	39,709	38,635
	1,183,425	1,445,752

The available-for-sale securities were carried at fair value as at 31 December 2016 and 31 December 2015.

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Fair value of individually impaired financial assets		
— Available-for-sale debt securities	**–**	5,348
— Available-for-sale equity securities	**3,212**	2,680

At 31 December 2016 and 2015, certain available-for-sale debt and equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost, which indicated that the cost of the Group's investments in them may not be recovered. During the year ended 31 December 2015, impairment losses of HK$7,020,000 on these investments were recognised in profit or loss. No further impairment losses were charged to consolidated income statement during the year ended 31 December 2016.

11 ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	31 December 2015 *HK$'000*
Current–30 days	2,493
31–60 days	14
61–90 days	252
Over 90 days	26,972
	29,731

For E-commerce CGU, receipts in advance from customers are required before the goods are delivered.

For Media CGU, majority of the Group's accounts receivable are due within 30 days from the date of billing. Customers with receivable that are more than 3 months overdue are requested to settle all outstanding balance before further credit is granted.

There was no outstanding accounts receivable as at 31 December 2016.

12 ACCOUNTS PAYABLE

The aging analysis of the accounts payable is as follows:

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Current–30 days	**18,985**	9,181
31–60 days	**766**	669
61–90 days	**220**	581
Over 90 days	**2,743**	2,564
	22,714	12,995

13 CAPITAL AND RESERVES

	Note	Share capital HK$'000	Retained profits HK$'000	Revaluation reserve HK$'000	Fair value reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Total HK$'000
		Attributable to equity shareholders of the Company						
At 1 January 2016		1,268,914	845,323	159,759	(33,552)	(1)	(1,826)	2,238,617
Loss for the year		–	(257,116)	–	–	–	–	(257,116)
Other comprehensive income	*8*	–	–	–	15,142	20	–	15,162
Total comprehensive income for the year		–	(257,116)	–	15,142	20	–	(241,954)
At 31 December 2016		1,268,914	588,207	159,759	(18,410)	19	(1,826)	1,996,663
At 1 January 2015		1,268,914	1,657,882	159,759	(29,569)	1	(1,826)	3,055,161
Loss for the year		–	(812,559)	–	–	–	–	(812,559)
Other comprehensive income	*8*	–	–	–	(3,983)	(2)	–	(3,985)
Total comprehensive income for the year		–	(812,559)	–	(3,983)	(2)	–	(816,544)
At 31 December 2015		1,268,914	845,323	159,759	(33,552)	(1)	(1,826)	2,238,617

BUSINESS REVIEW

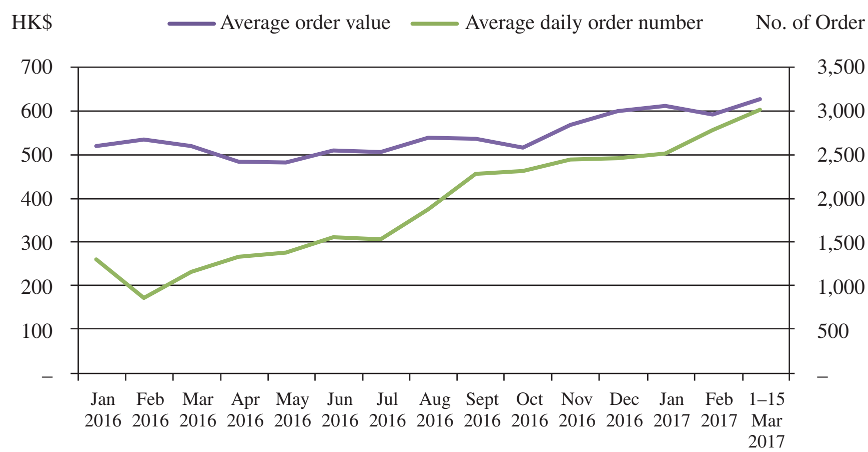
The local economy in retail sector was in its downturn in 2016 relative to 2015 but the economy started to have recovery signs showing in the last quarter of 2016. According to the Report on Monthly Survey of Retail Sales for December 2016 published by the Census and Statistics Department of Hong Kong Special Administrative Region, the total value of the retail sales for 2016 decreased by 8.1% relative to the same period in 2015, while the total volume decreased by 7.1% relatively. Nevertheless, the retail sector was observed to have gradual improvement in the fourth quarter of 2016, it was performed slightly better than the third quarter of 2016 by 2.3% in total value and 2.6% in total volume. Moreover, among different sectors, commodities in supermarkets, food and alcoholic drinks, etc. were able to maintain flat or with a slightly growth in 2016.

Though the overall consumer sentiment has deteriorated the consumption momentum in Hong Kong during the year, the business performance on HKTVmall was exceptionally encouraging. HKTVmall has continued to expand its addressable market in terms of age and household disposable income groups, where our diversified brand and product portfolio as well as the door-to-door last mile delivery service has contributed the most to our developments in 2016. As a marketplace, we have more than 135,000 products offering in HKTVmall carried by about 1,300 stores and this diversified brand and product portfolio well captures the growing online demand across mass to premium segments and supports revenue share gains. Our low-threshold (order value at HK$250/HK$400 for free delivery service to our VIP/general customers) last mile free delivery service has built convenience and efficiency to our customers. Moreover, the expansion of our supermarket grocery product segment since August 2015 has built us a strong driver for repeated purchases. Our repeated purchase ratio for the year ended 31 December 2016 was about 60%. All of these key factors have helped to migrate the Hong Kong consumers online. Relative to 2015, our annual Gross Merchandise Value[1] ("GMV") at HKTVmall had a promising growth of about 300% in 2016, and for the month of December 2016, the GMV on order intake reached approximately HK$46.0 million relative to approximately HK$14.1 million for the month of December 2015. In terms of operational parameters, we also have encouraging performance in terms of number of customers who placed orders at HKTVmall and number of order intake during 2016.

1. We have 163,000 customers who have placed orders with HKTVmall during 2016, a substantial growth of 73% from 94,000 in 2015.

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

2. Our average daily order was only about 1,300 in January 2016 but in December 2016, it has reached about 2,500, and even reached about 3,000 orders in the first half of March 2017. Below is a trend on our average order value and average daily order for the month from January 2016 to 1–15 March 2017, apparently there was a promising decent upward trend which demonstrated our popularity and the need of online shopping in Hong Kong.



All of these key business parameters have reassured us Hong Kong indeed has a proven need and strong growth momentum in online shopping business. The general arguments such as Hong Kong is too small or too convenient, and there is no demand for online shopping could be a fallacy, it's just probably a "supply" issue — there was no committed large scale online shopping mall existed in Hong Kong before, until HKTVmall stepped into this market 2 years ago. With the experience and track records in the past two years, we shall continue to expand our footprint aggressively in the online shopping space and undoubtedly, we are dedicated to be the dominant and largest online shopping mall in Hong Kong.

This remarkable 2016 was full of important developments in the e-commerce segment, we continues to solidify our foundation for HKTVmall's long term business growth. Our growth strategy targets opportunities to expand addressable market in Hong Kong as well as to grow the number of order intake and order value. To sustain for this continuous expansion, during the year, the Group has achieved the following:

1. Our first concept store

With the objective to be the most dominant and largest online shopping mall in Hong Kong, we always look for different ways to enhance the O2O synergy. In this regard, we are undergoing an experiment to find out the most applicable O2O retail model to the Hong Kong market, such as using a 400–500 square feet concept store to serve customers better than a 20,000 square feet retailers, in terms of product variety, product categories, convenience or even pricing. In October 2016, HKTVmall opened its first concept store at North Point. Instead of operating like a traditional brick and mortar store for product display and selling, our concept store is indeed a marketing tool to increase our market presence and to establish connection and relationship with consumers at the local neighbourhood. Aided with regular promotion and marketing campaign to attract patronage to our concept store, we could push for online conversion, to provide customer service and as an order pick-up point for our customers. Whenever the consumers around have an impulse to shop for whatever products they want, the first place in their mind is HKTVmall. We have entered into another tenancy in December 2016 to set up the second store in Mariana Square, South Horizons which was opened before the 2017 Chinese New Year as our second experimental store. We aim to find out the most applicable retail O2O model to maximize our value to the consumers in Hong Kong.

2. Aggressive marketing campaign

Apart from placing year-round digital advertisements at various popular social platforms and holding different event marketing campaigns along the year, we are also keen on large scale promotional activities to increase HKTVmall's brand awareness and presence in the local market, such as in January 2016, as a new year start, we launched the "HK$99 Crazy Meat Sets" campaign to introduce the new frozen meat product line. Along selected MTR stations and bus shelters, we put up different advertising panels with 8 different cloze quizzes related to the current affairs in humorous ways to introduce the great value frozen packs offering at HK$99. This was a successful campaign which not only increased our brand exposure to the mass market but was also an effective drive for repeated purchases.

In October 2016, we launched a "Win HK$4 Million to Buy a Home!" lucky draw campaign welcoming all Hong Kong residents to participate simply by downloading the HKTVmall app and registering with certain basic personal information (without the need to spend a dollar!), then would have a chance to win an exclusive HK$4 million to buy a home. This campaign was a ground-breaking news to the market in particular when the sky-high property price has discouraged a lot of Hong Kong residents to have their own home. We have expanded our registered member base after this campaign.

3. Expanding logistics and fulfilment centre

In July 2016, we expanded our logistics fulfilment centre from about 63,000 square feet to about 200,000 square feet hosting more than 500 logistic and warehousing professionals including our full time talents, part-time resources and outsourced partnership for running the order fulfilment facility and the logistics functions. We were also expanding our logistics car fleet from 30 plus in 2015 to 90 plus owned vehicles by January 2017 including cold trucks to ensure fresh and hygienic delivery of frozen and chilled products. Our cold trucks are designed in a very unique way which has a three different temperatures compartment for delivery of room temperature, 0–4 degree Celsius and -18 degree Celsius products. This design enables us to deliver any order with products at all three different temperatures in a single delivery, which not only benefit our customers who only need to receive the order in one-go but also allow us to run the logistic operation in a more efficient way.

4. **Automation migration**

In June 2016, to cope with the exponentially growth in order intake and to significantly increase our fulfilment efficiency, the Group has entered into a contract for implementing an automatic picking and conveying system from Germany consisting of a conveying system, an automatic picking system, an automatic storage and retrieval system and tote handling systems. In the past 6 months, we have invested tremendous resources to adjust and fine-tune the operational design and functionality of this system to best fit the changing operational requirements so as to maximise the efficiency level upon its launch. In this regard, we expect there will be a slight delay for the launch which is now expected to be in the third quarter of 2017, we believe the newly refined design will in fact enable us to maintain a stable operation environment in a much enhanced efficiency without the reliance on too much labour resources. We expect this automated system will be able to increase our picking capacity significantly and enable us to re-designate our resources to focusing on packing, inventory management and order fulfilment.

5. **Introduction of "Hot Deal" street**

In March 2016, on top of providing products from "Supermarket", "Fashion and Beauty" and "Home and Family" categories at competitive pricing with Mall Dollar rebate, a new category — "Hot Deals" offering was added to the portfolio, and a team of expertise in Hot Deals was recruited aiming to search for great value offer in town to maximise customers' purchasing power and to expand the product spectrum.

With all the efforts we made in the past two years since formal launch in February 2015, we have successfully established solid fundamentals for HKTVmall as a unique marketplace in Hong Kong, and together with the expanding member base at approximately 2.3 million registered email IDs, we are making good progress to expand to a larger addressable market and to capture business growth on the online shopping space in Hong Kong.

Apart from operating online shopping business under HKTVmall, during the year under review, the Company continues its business including the offer of free television programming through its Over-The-Top (OTT) platform, international and local content distribution, provision of artiste management services and independent content production, while the TV programme production remains suspended.

The construction of the multimedia production and distribution centre ("Multimedia Centre") in Tseung Kwan O Industrial Estate was in its final stage as at 31 December 2016 and the occupation permit was subsequently obtained on 17 March 2017.

FINANCIAL REVIEW

During the year under review, the Company mainly operates its Multimedia Business including the E-commerce online shopping and delivery services, OTT platform, and corporate functions. The Group's main focus was on online shopping business during the year and embraced by the marketing and operational effort invested in the past two years, HKTVmall was getting more popular and top-of-the-mind on the online shopping space, which has brought direct benefit to our direct merchandise sales and income from concessionaire sales. During 2016, due to the suspension of TV programme production, only minimal related income and costs was recorded.

The Group incurred a loss of HK$257.1 million for the year ended 31 December 2016 ("2016"), an improvement of HK$555.5 million from the loss of HK$812.6 million for the corresponding period of 2015 ("2015"). The financial performance was improved mainly due to the business growth on online shopping business, costs avoided due to suspension on TV Programme production and no further impairment loss on Media Cash Generating Unit ("CGU") incurred in 2016 (2015: a loss of HK$327.8 million).

On turnover, the Group has HK$187.1 million for 2016 (2015: HK$112.8 million) and 99.3% (2015: 32.3%) was from online shopping business. Turnover was composed of HK$157.3 million from direct merchandise sales (2015: HK$25.3 million), HK$28.5 million from income from concessionaire sales and other service income (2015: HK$11.1 million), HK$1.2 million from licensing of programme rights and net advertising income (2015: HK$76.1 million) and HK$0.3 million from artiste management services for 2015 but nil in 2016.

The increase in direct merchandise sales and income from concessionaire sales and other service income by HK$149.4 million was due to the full scale operation of online shopping platform in 2016 while in 2015, it was just a very early start-up formally launched in February 2015. Various sales and marketing efforts such as the "HK$100 Mall dollar" promotional campaign for the grand launch in February 2015, "Mega MTR Advertising Campaign" in August 2015, "HK$99 Crazy Meal Set" in January 2016, "Win HK$4 million to Buy a Home" Lucky Draw campaign in October 2016, different seasonal product catalogues with 400,000 to 800,000 distributions, on-street promotors — "Jetsoer" for road shows in different region in Hong Kong, to the very recent HKTVmall concept store set up, have strengthened the association between "Shopping" and HKTVmall in Hong Kong people's mind which has in turn boosted up the order intake and order value in 2016.

On the turnover from licensing of programme rights and net advertising income, there was a decrease of HK$74.9 million to HK$1.2 million in 2016 mainly because the suspension of TV programme production remained in 2016.

Programme costs of HK$320.7 million was charged to profit or loss in 2015 mainly included programme costs of self-produced programmes and purchased content charged to the profit or loss over the showing period and talent and other production costs for content production for third party customers. No programme costs was charged to profit or loss in 2016 as all fresh programme contents were fully broadcasted or impaired during 2015.

Cost of inventories amounted to HK$140.3 million for 2016 (2015: HK$23.1 million) represented the full year cost of inventories delivered to customers for the fulfilment of the Group's direct merchandise sales, while for 2015, the direct merchandise sales was only a tiny operation.

Other operating expenses increased by HK$50.7 million to HK$380.5 million in 2016 relative to the HK$329.8 million incurred in 2015. The increase was mainly due to the below major items:

1. Talent costs increased by HK$52.6 million to HK$189.1 million in 2016. During 2016, to cope with the business growth on online shopping business, the workforce on the logistics and warehouse functions, direct sales and merchant relations increased significantly; and

2. Operating lease charges increased by HK$15.4 million in 2016 mainly for the expansion of logistics fulfilment centre. Moreover, operating costs also increased due to expansion of owned car fleet and scalable sub-contracted labour resources to cope with business growth on direct merchandise sale; partially offset by

3. Advertising and marketing expenses decreased by HK$14.2 million, benefited from the two large scale above-the-line brand awareness campaigns in 2015, this year, we were more focused on digital advertisement, event marketing and activity-based promotional campaigns to boost sales. Hence, less was spent in large scale brand awareness activities in 2016; and

4. Depreciation and amortisation of intangible assets decreased by HK$6.3 million and HK$19.7 million respectively in 2016 caused by the impairment losses in relation to the Group's Media CGU in 2015.

In 2016, there was a valuation gains on investment properties of HK$6.7 million, a decrease of HK$5.2 million relative to a valuation gain of HK$11.9 million in 2015, based on the valuation carried out by an independent firm of surveyors.

Other income, net, of HK$70.9 million was earned in 2016 (2015: HK$67.5 million), mainly composed of investment income generated from available-for-sale securities, bank interest income, and rental income from investment properties, net of net exchange loss. The increase of HK$3.4 million was mainly due to the decrease in exchange loss by HK$27.2 million, partially offset by decrease in bank interest income by HK$14.4 million and decrease in interest income from available-for-sale debt securities by HK$12.3 million caused by the realisation of a portion of the investment portfolio to support the capital expenditures and operating activities of the Group.

Finance costs, net decreased by HK$2.2 million mainly due to the decrease in average bank loans during 2016.

In 2015, the Group recognised impairment losses on certain intangible assets, property, plant and equipment, programme costs and other assets with an aggregated amount of HK$327.8 million in relation to the Media CGU primarily as a result of the uncertainty in the regulatory and technical feasibility in the provision of mobile television services. The Group assessed the recoverable amounts of these assets in 2016 and no further impairment was required in 2016. The impairment losses did not have a material adverse impact on the cash flow position of the Group in 2015 and 2016.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2016, the Group had total cash position of HK$44.4 million represented cash at bank and in hand (31 December 2015: HK$174.8 million) and outstanding borrowings of HK$184.1 million (31 December 2015: HK$71.8 million) drawn for investment yield enhancement purpose. The decrease in total cash position was due to the purchases of property, plant and equipment of HK$372.5 million mainly for the construction of the Multimedia Centre, and the resources utilised for operating activities of HK$207.7 million, partially net off by net bank loan borrowing of HK$112.2 million, net realisation from investment portfolio of HK$260.3 million and net investment income received of HK$78.0 million.

On investment in available-for-sale securities, the Group has invested, at fair value, of HK$1,183.4 million as at 31 December 2016 (31 December 2015: HK$1,445.8 million) and the decrease was mainly caused by the use of certain matured or realised available-for-sale debt securities to fund the capital expenditure and operating activities of the Group. As at 31 December 2016, there was a deficit of HK$18.4 million being recorded in fair value reserve (31 December 2015: a revaluation deficit of HK$33.6 million). Among the available-for-sale securities, about 96.6% (31 December 2015: 97.3%) are invested in fixed income products or other debt securities which substantially will be repaid at par upon maturity.

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

As at 31 December 2016, the Group has utilised HK$184.1 million (31 December 2015: HK$71.8 million) uncommitted banking facilities mainly for investment yield enhancement purpose, leaving HK$998.6 million (31 December 2015: HK$1,114.1 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at bank and in hand and term deposits within three months of maturity, if any. There is no pledged bank deposit as at 31 December 2016 and 31 December 2015.

The debt maturity profiles of the Group as of 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Repayable within one year	**184,144**	71,793

As at 31 December 2016, our outstanding borrowings bore fixed interest rate and denominated in Hong Kong dollars. After considering the cash and cash equivalents and term deposits, if any, held by the Group, the gearing ratio of the Group as of 31 December 2016 was 0.07 times. The Group was in a net cash position as of 31 December 2015 and hence no gearing ratio was presented. The Group is of the opinion that, after taking into consideration of the internal available financial resources and the current banking facilities, the Group has sufficient funds to finance its operations and to meet the financial obligations of its business when they fall due.

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Net Debt *(note (a))*	**139,747**	–
Net Asset	**1,996,663**	2,238,617
Gearing (times)	**0.07**	NA

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

During 2016, the Group invested HK$384.6 million on capital expenditure versus HK$99.2 million in 2015. The capital expenditure was mainly incurred for the construction of the Multimedia Centre, the renovation and fixtures of the expanded logistics fulfilment centre and for the expansion of our logistic fleet. For the upcoming capital expenditure requirements for the business, we will remain cautious and it is expected to be funded by internal resources within the Group and available banking facilities. Overall, the Group's financial position remains sound for continuous business expansion.

On 29 December 2016, the Company filed a Form 15F with the United States Securities and Exchange Commission ("SEC") to deregister and terminate its reporting obligations under the Exchange Act. The Company's reporting obligation under the Exchange Act has been suspended immediately upon such filing, and the deregistration is expected to become effective 90 days after the filing, unless withdrawn by the Company or denied by the SEC earlier. Following the deregistration, the Company's American Depositary Shares ("ADSs") evidenced by American Depositary Receipts ("ADR"), each representing the right to receive 20 ordinary shares of the Company, will continue to be traded in the over-the-counter markets, and The Bank of New York Mellon Corporation will continue to act as the Company's ADR depositary. The decision to deregister was reached 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.

Charge on Group Assets

As of 31 December 2016, the Group's bank loans of HK$184.1 million (31 December 2015: HK$71.8 million) were secured by an equivalent amount of available-for-sale securities held by various banks.

Exchange Rates

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

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

Contingent Liabilities

As of 31 December 2016 and 31 December 2015, the Group had no material contingent liabilities or off-balance-sheet obligations.

PROSPECTS

HKTVmall has planted the seeds in the online shopping business two years ago with a clear objective to become the most dominant and largest online shopping mall in Hong Kong. We aim to expand the current HK$436.6 billion[3] retail business and in 5 years' time, to gain a significant share of this market. It is inevitable that the retail business is migrating to online in a moderate to fast pace in particular when the rental and maintenance costs in operating a physical retail outlet in Hong Kong is getting higher and higher, and the digitalised generations, who are highly adapted to the mobile and internet browsing and purchases, are quickly expanding over time.

Online conversion is a revolution process which is always not an easy path, but we believe HKTVmall are fully embraced by this changing environment given the tremendous efforts and resources we invested in the past two years starting to bring us promising and rewarding results — our number of order intake has reached average daily of 3,000 orders with average order value over HK$600 per order in the most recent first half of March 2017. To continue to

[3] 2016 annual retail sales value extracted from Report on Monthly Survey of Retail Sales (December 2016) published by the Census and Statistics Department of Hong Kong Special Administrative Region

grow our online shopping business aggressively in a way that will benefit both the consumers and suppliers in Hong Kong, in 2017, apart from continuing our experiment in bringing more "mini" concept stores to different geographic locations to find the most applicable O2O synergy, HKTVmall, as a unique online marketplace, will make use of its capability and data history to develop "personalized shopping" concept pushing the right products to the right customers at their desired timing — this is all about Big Data analysis. From all the browsing history including product browsing behaviour and shopping history, from grocery, skin care, electronics to dining restaurant, etc., this Big Data analysis can provide unrivalled insight to our merchants in different industries, such as discovery of previously unrecognised patterns of behaviour and act on it instantly in a more relevant, timely and targeted way. The ultimate benefit is to deliver a more personalised shopping experience to our people in Hong Kong. The growing popularity and increasing browsing and shopping information at HKTVmall shall made us becoming an unparalleled online shopping platform bringing shopping happiness and commercial effectiveness to all consumers in Hong Kong and to all our merchant partners.

With the above strategic direction set, looking forward to 2017, while we are in good progress to penetrate into the local retail market and to strengthen the association between "Shopping" and "HKTVmall" in people's mind, our next step is to aggressively expand our addressable market and to increase the number of order intake in 2017 so as to enhance the value of the Big Data analysis and to become a creditable partner to our customers and our merchant partners. On organic growth, we shall continue to increase HKTVmall's market presence and to invest in our IT system, and logistics and fulfilment infrastructure for capacity and efficiency optimisation. With the anticipation that the new automated picking and conveying system to be launched in the third quarter of 2017, we expect we can turn the current loss-making "highly manual fulfilment process" into a profitable "highly automated system process" so as to maintain a stable operating environment for enhanced effectiveness and efficiency on fulfilment. And in fact, the growing number of order intake could in turn bring us efficiency and cost effectiveness on our last mile door-to-door delivery service, and bring us more and more happy and return customers over time. All of these are critical for our sustainable long term business growth on online shopping segment.

Apart from organic growth, we also explore different acquisition and partnership opportunities to accelerate the expansion in the industry of online marketplaces and to maximise the O2O synergy. Recently on 20 February 2017, we announced the acquisition of Groupon HK, which provides local e-commerce marketplace offering deals at discount primarily in e-voucher format for redemption of goods and services provided by merchants. This acquisition represents a strategic step for the Group to expand its meaningful presence to the e-voucher-selling market and to strengthen its leading position in the online shopping space. In 2016, Groupon HK has generated a GMV of about HK$400 million and has an active customer base in the past 365 days of approximately 280,000. We expect there will be synergy and collaboration between HKTVmall and Groupon HK such as exchanging product/hot deal offerings between the two platforms which currently expose to a substantially different customer base. We expect this collaboration will make 1 + 1 = 3 by expanding our addressable market and widening our product portfolio for accelerated business growth. While we are in the good progress to become the dominant and largest online shopping mall in Hong Kong, we are prepared to maximum our value to the Hong Kong consumers and other stakeholders in long term.

The construction work of our Multimedia Centre in Tseung Kwan O Industrial Estate is completed and the occupation permit was obtained on 17 March 2017. While we shall relocate to this new building as our headquarter, to further strengthen our foundation in the e-commerce space, on 3 March 2017, a wholly owned subsidiary of the Group, Hong Kong Media Production Company Limited ("HKMP") accepted the offer of Hong Kong Science and Technology Parks Corporation ("HKSTP") in relation to its application for an additional use to incorporate an e-Commerce Fulfilment Centre of 5,080 square metres in the Multimedia Centre subject to the payment of a consent fee and the fulfilment of certain conditions (for details, please refer to Non-adjustment events after the reporting period). We believe the additional use shall enable the Group to accelerate the integration of its multimedia and e-commerce capabilities by leveraging the Multimedia Centre, to improve the operational efficiency of the entire e-commerce fulfilment process, to provide space for expansion and to reduce the reliance on leased facilities in the long run. All of these shall be beneficial to the sustainable development in the online shopping business of the Group.

Going forward, further improvement on financial and operational performance on the online shopping business will be captured by improving margins by increasing purchase volume, expanding order intake and output capacity, and continuously enhancing the backend customer service and logistics system.

On media business, the Company is still in discussions with the Office of the Communications Authority ("OFCA") about one of our subsidiary's proposal of adopting Digital Video Broadcasting — Terrestrial 2 as the transmission standard for the provision of mobile television service. The Company is also waiting for the results from the government of the second application of the Free TV licence. We shall further refine our business development plan on Multimedia Business upon the outcome of the above cases.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 20 February 2017, Talent Ascent Limited ("Talent Ascent"), a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement ("Agreement") with Groupon, Inc. and Groupon Holdings B.V., an indirectly wholly owned subsidiary of Groupon Inc. ("Groupon") to acquire 100% of the issued share capital of Groupon HK, at a consideration of US$0.671 million (equivalent to approximately HK$5.21 million) in cash, which is subject to adjustment for the net working capital as at the date of completion (the "Transaction"), as defined in the Agreement. The Transaction was completed on 3 March 2017 and Talent Ascent entered into a Master Transition Services and License Agreement with Groupon HK and Groupon pursuant to which Groupon will provide or cause to be provided to Groupon HK (a) a limited and temporary license to access to certain systems, application tools, and trademarks, and (b) other support services, including merchant payment and customer support for a period of 6 to 12 months from the effective date of the Master Transition Services and License Agreement.

On 3 March 2017, HKMP accepted the offer of HKSTP in relation to its application for an additional use to incorporate an e-Commerce Fulfilment Centre of 5,080 square metres in the Multimedia Centre. The additional use shall enable the Company to accelerate the integration of e-Commerce business with multimedia content production, subject to the payment of a consent fee of HK$62.1 million upon execution of the modification of agreement for lease and the modification of proposal form on or before 6 May 2017 and the fulfilment of certain other conditions.

TALENT REMUNERATION

Including the Directors, as at 31 December 2016, the Company had 618 permanent full-time employees versus 555 as of 31 December 2015. The Company provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Company's and individual performances. The Company also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, staff training programs and operates share option schemes.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities during the year ended 31 December 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2016, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry with the Directors, all of them have confirmed that they have fully complied with the required standard set out in the Model Code and the Company Code throughout the year ended 31 December 2016.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management of the Company the audited financial results for the year ended 31 December 2016.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Lee Hon Ying, John (the Chairman of the Audit Committee), Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2017 to 26 May 2017, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the Company's forthcoming annual general meeting (the "AGM"). In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May 2017.

AGM

The AGM will be held on 26 May 2017. Notice of the AGM together with the Company's Annual Report will be published and dispatched in the manner as required by the Listing Rules in due course.

By Order of the Board
Hong Kong Television Network Limited
Wong Nga Lai, Alice
Executive Director, Chief Financial Officer
and Company Secretary

Hong Kong, 22 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Wong Wai Kay, Ricky (Chairman), Mr. Cheung Chi Kin, Paul (Vice Chairman and Chief Executive Officer) and Ms. Wong Nga Lai, Alice (Chief Financial Officer); the Non-executive Director is Ms. To Wai Bing and the Independent Non-executive Directors are Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin.

"Where the English and the Chinese texts conflicts, the English text prevails"