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 2017

OPERATIONAL HIGHLIGHT

1. 218% growth in Gross Merchandise Value ("GMV") for order intake during 2017 of HK$1,070.4 million vs HK$336.3 million for 2016;

2. Average daily order intake reached 7,600 in December 2017 (December 2016: 2,500) with average order value at HK$537 (December 2016: HK$607). By annualizing the December 2017 performance, we are building a growing HK$1.5 billion GMV online marketplace in Hong Kong;

3. On combined basis, 477,000 unique customers purchased at HKTVmall and/or HoKoBuy during 2017, while there was only 163,000 unique customers purchased at HKTVmall during 2016; and

4. Upon full launch of Phase I of the robotic system from Germany in Q1 2018, the pick/pack output capacity raises to around 8,000 to 10,000 orders daily, while by Q2 2019, the output capacity is estimated to be 30,000 orders daily when phase II and III are fully launched over time.

FINANCIAL HIGHLIGHT

1. 160% growth on turnover of HK$487.3 million for 2017 (2016: HK$187.1 million), with blended gross margin and commission rate on Group GMV of completed orders at about 21.3% in 2017 (2016: about 20.0%);

2. Recorded a valuation gain on investment properties of HK$80.5 million (2016: HK$6.7 million);

3. Managed net loss of HK$204.9 million for 2017 vs HK$257.1 million in 2016; and

4. Maintained strong financial position with investment in available-for-sale securities, cash at bank and in hand, pledged deposit, net of bank loans, totalling HK$760.6 million (31 December 2016: HK$1,043.7 million).

CHAIRMAN'S STATEMENT

Dear Shareholders,

Hong Kong is best known as a Shoppers' Paradise for years. This tiny city has more than 300 shopping malls, which means that a shopping mall in any size exists in every 20,000+ population. Unlike other places, shopping is highly convenient in Hong Kong, and therefore many people firmly believe that "online shopping" has no development potential here. When HKTVmall had its official launch in February 2015, the public was pessimistic about our future development.

After 3 years' operation, consumers' response and sales data all point to the fact that Hong Kong consumers are advancing and changing even faster than the retailers. Regardless of age groups, consumers are changing in the ways they obtain product information and their shopping habits. They would search product information from the Internet, and would trust the review and information shared by real consumers more than the persuasion from TV commercials and offline salespersons. More importantly, they are not satisfied with the limited product choices offered by shopping malls and physical stores.

At the same time, we found that more and more consumers are buying groceries, personal care products, electrical appliances and household products online, as most of these are branded items whereby similar products can be offered from different sales channels. Consumers are looking for shopping channels which are more reliable, convenient, cost-saving, and which offer more diversified product choices.

Although HKTVmall has yet to achieve breakeven on each individual order, we have already figured out the way, which will consist of the following 3 elements:

1. **Increasing gross profit margin**

   Taking reference from the annual reports of other supermarkets, department stores, retailers of snacks and household groceries, if we can increase our turnover by 3 to 4 times, we will be able to increase gross profit margin by an additional 6 to 12% (from the current about 21% up to 27% to 33%). This is basically a volume game, similar to our callback IDD business 25 years ago — the higher the transaction volume, the greater your leverage to lower the cost of goods.

2. **Lowering the costs for warehousing, pick and pack with the adoption of automatic and robotic system**

   In the first 3 years of operation, our warehouse was in full manual operation mode, whereby all the goods were placed on racks within the 144,000 square feet warehouse, and the pickers picked each goods item from these racks according to customer orders. We once tried to group the goods by picking batches to enhance efficiency, but the cost efficiency was still low with high error rate.

Since 2018, the first phase of the robotic system has been officially launched such that picking cost is expected to be reduced significantly. We have entered into agreement with the supplier from Germany, and will start the second and third phases soon. They will be launched for operation by end-2018 and mid-2019 respectively.

	Investment Amount	**Estimated Daily Capacity**	**Estimated Launch Date**
Phase 1	HK$29,000,000	8,000 to 10,000 orders	1Q 2018 (Officially launched)
Phase 2	HK$92,000,000	20,000 orders	4Q 2018
Phase 3	HK$52,000,000	30,000 orders	2Q 2019

The above order capacity and launch dates are based on our best estimation, and the actual outcome may vary. I believe that this should be the first automatic and robotic system of its kind in Hong Kong. Our engineering team is working closely with the German supplier to make it happen.

3. Lowering delivery cost through promoting customer pickup from O2O shop and enhancing usage of delivery trucks

Hong Kong is one of the cities with the highest population density. Therefore, the delivery cost in Hong Kong is far below anywhere in the world, especially compared with North America and European countries.

Delivery cost is also a volume game. The more orders in the same district, the shorter the transportation time between the delivery points, the lower the delivery cost. For example, if we have 75 to 85 customer orders in Taikoo Shing, we only need 1 driver, 1 delivery assistant and 1 truck to handle all these orders. In this way, delivery cost can be significantly reduced to below HK$40 each time.

Currently, there are around 180 to 200 delivery trucks in operation daily. We anticipate that the number of trucks will be increased to 300, 400 and 500 in the coming 3 years to cope with our business expansion needs.

We are now evaluating and revising our expansion plan for O2O concept shops, as they are having pivotal influence on our online business development. On the one hand, wherever we open a new O2O shop, the revenue generated from the neighborhood area will increase prominently. We see this as an effective marketing tool. On the other hand, having a physical location will attract customers to pick up their orders from O2O shops. In some regions, the number of orders for customer pickup has exceeded the number of orders for delivery. Our target is to lower the delivery cost and cost for customer pickup to around 6% to 8% of Gross Merchandise Value.

If we can achieve the above 3 items in 2 to 3 years, HKTVmall may become the first large scale and profitable online shopping mall in Hong Kong.

I was also asked why we did not consider outsourcing the delivery team. This is a strategic and customer service consideration.

The delivery service for local residential areas is underdeveloped, as all the courier agencies with certain scale tend to focus on commercial and industrial areas only. (Coincidently, this situation is similar to the development of fixed telecommunications network 20 years ago. At that time new operators such as Hutchison Telecommunications, New World Telephone and Wharf T&T focused on expansion in commercial and industrial areas, whereas only HKBN eyed on residential areas.) If we put our delivery services in the hands of third parties, this will in turn prompt these third parties to develop delivery business in residential areas, thus paving the way for others to develop online shopping platforms with our own resources and costs.

In order to succeed in Hong Kong, the design for website and app is important; effective marketing promotion is important; variety of products is also important. However, according to the experience over the past 3 years, we think that the critical factor for success or failure, is whether we are able to develop a low cost and yet effective warehousing, picking and packing system as well as delivery team.

Right now, we are devoting tremendous resources to develop and train our own delivery team, as this is the main customer contact point apart from shop front and customer service. In fact, all our customers have contact with our delivery team, while not all of them will contact our customer service or visit our shops. If we do not have our own delivery team, and all the online shopping operators are employing those 2 to 3 courier agencies, then we are unable to differentiate ourselves, and as a result we can only compete on pricing. Of course, running hundreds of HKTVmall delivery trucks in residential areas daily also has the advantage of being a good marketing tool to increase the public's brand awareness on HKTVmall.

We are confident about the future of online shopping business in Hong Kong. We are not worried about any lack of demand. The challenge is to build a loyal team with digital DNA. What we have learned from the past 3 years is that, even if online shopping is not totally different from traditional retailing, there are huge divergences between the two. The longer a company enjoys success in traditional retailing, the more challenging it becomes when it tries to develop online shopping.

In a few years' time, when other large retailers realise the demand potential for online shopping, they will headhunt our talents who are experienced in digital promotion and online shopping operations. To counter this, we will invest more on talent development plans in the coming years.

If we look at the development of online shopping globally, once the business foundation is established, 3 business opportunities may arise:

1. Big Data and Digital Advertising

We are one of the few companies in Hong Kong embracing such big amount of data on consumer behavior. The information we possessed enables us to know which shops consumers have patronised, we also know what items and what brands they have bought. We also know which customers start to be interested in baby products, which customers have switched from one brand to another. With these big and unique data, we can assist our suppliers and any advertisers to search for the right target customers, so that they can enhance the effectiveness and Return on Investment (ROI) for their digital advertising.

2. Automatic Warehousing and Logistics

The core for online shopping is delivery, which is the same as one of the purposes of setting up physical stores, i.e. to deliver goods to the neighborhood consumers.

In Hong Kong, most warehousing and logistics operations are working on Business-to-Business (B2B), which focuses on the routes between warehouse to stores only. The product variety, picking quantity and complexity cannot be compared to Business-to-Consumer (B2C). Therefore, we are working closely with a worldclass supplier from Germany, to introduce their automatic and robotic warehousing and picking system into Hong Kong.

We will also work with other technology companies in Hong Kong to improve management efficiency so as to enhance the productivity of our delivery team.

We believe that HKTVmall will become the largest delivery company in the residential areas of Hong Kong in the coming 3 years. In view of the surging number of consumers for online shopping, developing delivery business in residential areas is promising.

3. Electronic Wallet

Right now, millions of devices have downloaded the HKTVmall app. Obviously, our customers are early adoptors in terms of consumer technologies compared to other customer segments. If we have sufficient resources and the required licence, we can include an e-wallet function into the HKTVmall app easily. Then our customers can pay online or offline with the HKTVmall app.

Technology, especially mobile technology, is changing and shaping our lifestyles whether you like it or not. Fundamental changes are taking place from consumer behaviour, entertainment, advertising, cross-border transactions to banking regulations. The HKTVmall team is positioning ourselves as a technology application pioneer, to integrate different technologies from different business areas so as to establish Hong Kong as the top leading city in our country.

Wong Wai Kay, Ricky
Chairman

Hong Kong, 27 March 2018

RESULTS

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 2017.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**Year ended 31 December 2017** ***HK$'000***	Year ended 31 December 2016 *HK$'000*
Turnover	*3*	**487,257**	187,071
Cost of inventories		**(295,178)**	(140,289)
Valuation gains on investment properties		**80,500**	6,700
Other operating expenses	*5(a)*	**(568,555)**	(380,454)
Other income, net	*4*	**94,230**	70,947
Finance costs	*5(b)*	**(2,011)**	(1,017)
Loss before taxation		**(203,757)**	(257,042)
Income tax expense	*6*	**(1,163)**	(74)
Loss for the year		**(204,920)**	(257,116)
Basic and diluted loss per ordinary share	*9*	**HK$(0.25)**	HK$(0.32)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**Year ended 31 December 2017 *HK$'000***	Year ended 31 December 2016 *HK$'000*
Loss for the year		**(204,920)**	(257,116)
Other comprehensive income for the year	*8*		
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of an overseas subsidiary		**(42)**	20
Available-for-sale securities: net movement in fair value reserve		**18,547**	15,142
		18,505	15,162
Item that will not be reclassified to profit or loss:			
Gain on revaluation upon transfer of previously self-occupied property to investment property		**23,579**	–
		23,579	–
Other comprehensive income for the year		**42,084**	15,162
Total comprehensive income for the year		**(162,836)**	(241,954)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

(Expressed in Hong Kong dollars)

	Note	**31 December 2017** ***HK$'000***	31 December 2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,152,387**	917,048
Intangible assets		**99,828**	112,248
Goodwill		**897**	–
Long term receivables, deposits and prepayments		**11,912**	8,209
Other financial assets	*10*	**675,161**	828,019
		1,940,185	1,865,524
Current assets			
Other receivables, deposits and prepayments		**63,276**	39,201
Tax recoverable		**1,007**	–
Inventories		**26,912**	17,833
Other current financial assets	*10*	**201,004**	355,406
Pledged bank deposit		**3,905**	–
Cash at bank and in hand		**100,199**	44,397
		396,303	456,837
Current liabilities			
Accounts payable	*11*	**92,951**	22,714
Other payables and accrued charges		**154,840**	115,942
Deposits received		**4,286**	1,905
Bank loans		**219,623**	184,144
		471,700	324,705
Net current (liabilities)/assets		**(75,397)**	132,132
Total assets less current liabilities		**1,864,788**	1,997,656

	Note	31 December 2017 HK$'000	31 December 2016 HK$'000
Non-current liabilities			
Deferred tax liabilities		**2,156**	993
		2,156	993
NET ASSETS		**1,862,632**	1,996,663
CAPITAL AND RESERVES	*12*		
Share capital		**1,268,914**	1,268,914
Reserves		**593,718**	727,749
TOTAL EQUITY		**1,862,632**	1,996,663

Notes:

1 BASIS OF PREPARATION

The financial information relating to the year ended 31 December 2017 and 31 December 2016 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 2016 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 2017 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 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure have been included in the Group's consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 end-to-end online shopping mall operation, multimedia production and other related services ("Multimedia Business").

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Direct merchandise sales	**346,173**	157,295
Income from concessionaire sales and other service income	**139,056**	28,531
Licensing of programme rights and net advertising income	**2,028**	1,245
	487,257	187,071

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 OTHER INCOME, NET

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Bank interest income	**44**	634
Dividend income from available-for-sale equity securities	**2,240**	1,693
Interest income from available-for-sale debt securities	**50,537**	68,182
Gain on disposal of available-for-sale securities	**2,201**	2,057
Rentals from investment properties	**18,264**	11,428
Net exchange gain/(loss)	**18,701**	(16,593)
Others	**2,243**	3,546
	94,230	70,947

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
(a) Other operating expenses		
Depreciation of property, plant and equipment	**46,775**	34,230
Advertising and marketing expenses	**40,209**	29,290
Auditor's remuneration	**2,276**	2,230
Operating lease charges in respect of land and buildings	**41,800**	28,429
Loss on disposal of property, plant and equipment	**3,436**	92
Write down of inventories	**1,609**	588
Talent costs *(note 5(c))*	**259,453**	189,100
Amortisation of intangible assets	**15,060**	13,162
Acquisition-related costs incurred in business combination	**1,068**	–
Provision for onerous contract	**3,300**	–
Total outgoings of investment properties	**1,349**	1,141
Others	**152,220**	82,192
	568,555	380,454
(b) Finance costs		
Interest on bank loans	**1,778**	828
Bank charges	**233**	189
	2,011	1,017
(c) Talent costs		
Wages and salaries	**221,576**	180,990
Retirement benefit costs — defined contribution plans	**9,072**	8,110
Equity-settled share-based payment expenses	**28,805**	–
Talent costs included in other operating expenses	**259,453**	189,100

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

6 INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements in current and prior years as the Group sustained a loss for taxation purpose during the year. The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (16.5% for the year ended 31 December 2016) of the estimated assessable profits for the year.

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

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Current taxation		
Hong Kong		
— Provision for the year	**–**	–
Deferred taxation		
Origination and reversal of temporary differences	**(1,163)**	(74)
	(1,163)	(74)

7 DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2017 (31 December 2016: Nil).

8 OTHER COMPREHENSIVE INCOME

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

	Year ended 31 December 2017			Year ended 31 December 2016		
	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	**(42)**	**–**	**(42)**	20	–	20
Available-for-sale securities: net movement in fair value reserve	**18,547**	**–**	**18,547**	15,142	–	15,142
Gain on revaluation upon transfer of previously self-occupied property to investment property	**23,579**	**–**	**23,579**	–	–	–
Other comprehensive income	**42,084**	**–**	**42,084**	15,162	–	15,162

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Available-for-sale securities:		
— Changes in fair value recognised during the year	**20,748**	17,199
— Reclassified to profit or loss upon disposal	**(2,201)**	(2,057)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**18,547**	15,142

9 LOSS PER SHARE

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Loss attributable to equity shareholders	**204,920**	257,116

The calculation of basic loss per share for the year ended 31 December 2017 and 31 December 2016 are based on the loss for the respective year and the weighted average of 809,017,000 ordinary shares (31 December 2016: 809,017,000 ordinary shares) in issue during the year.

The diluted loss per share for the year ended 31 December 2017 is the same as the basic loss per share, as the Group's share options would result in an anti-dilutive effect on loss per share. The diluted loss per share for the year ended 31 December 2016 is the same as the basic loss per share, as no potential dilutive ordinary shares were outstanding during the year.

10 OTHER FINANCIAL ASSETS

	31 December 2017 HK$'000	31 December 2016 HK$'000
Available-for-sale debt securities:		
— Maturity dates within 1 year	**201,004**	355,406
— Maturity dates over 1 year	**624,828**	788,310
	825,832	1,143,716
Available-for-sale equity securities:		
— Listed	**35,794**	28,538
— Unlisted	**14,539**	11,171
	50,333	39,709
	876,165	1,183,425

The available-for-sale securities were carried at fair value as at 31 December 2017 and 31 December 2016.

	31 December 2017 *HK$'000*	31 December 2016 *HK$'000*
Fair value of individually impaired financial assets:		
— Available-for-sale equity securities	**4,455**	3,212

At 31 December 2017 and 2016, an available-for-sale equity security was 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.

No further impairment losses were charged to consolidated income statement during the year ended 31 December 2017.

11 ACCOUNTS PAYABLE

The aging analysis of the accounts payable is as follows:

	31 December 2017 *HK$'000*	31 December 2016 *HK$'000*
Current–30 days	**87,591**	18,985
31–60 days	**882**	766
61–90 days	**882**	220
Over 90 days	**3,596**	2,743
	92,951	22,714

12 CAPITAL AND RESERVES

		Attributable to equity shareholders of the Company							
		Share capital	**Retained profits**	**Revaluation reserve**	**Fair value reserve**	**Exchange reserve**	**Capital reserve**	**Other reserve**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017		**1,268,914**	**588,207**	**159,759**	**(18,410)**	**19**	**–**	**(1,826)**	**1,996,663**
Changes in equity for 2017:									
Loss for the year		**–**	**(204,920)**	**–**	**–**	**–**	**–**	**–**	**(204,920)**
Other comprehensive income	8	**–**	**–**	**23,579**	**18,547**	**(42)**	**–**	**–**	**42,084**
Total comprehensive income		**–**	**(204,920)**	**23,579**	**18,547**	**(42)**	**–**	**–**	**(162,836)**
Equity-settled share-based transactions		**–**	**–**	**–**	**–**	**–**	**28,805**	**–**	**28,805**
Balance at 31 December 2017		**1,268,914**	**383,287**	**183,338**	**137**	**(23)**	**28,805**	**(1,826)**	**1,862,632**
Balance at 1 January 2016		1,268,914	845,323	159,759	(33,552)	(1)	–	(1,826)	2,238,617
Changes in equity for 2016:									
Loss for the year		–	(257,116)	–	–	–	–	–	(257,116)
Other comprehensive income	8	–	–	–	15,142	20	–	–	15,162
Total comprehensive income		–	(257,116)	–	15,142	20	–	–	(241,954)
Balance at 31 December 2016		1,268,914	588,207	159,759	(18,410)	19	–	(1,826)	1,996,663

13 BUSINESS COMBINATION

Acquisition of a subsidiary

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 HoKoBuy Limited (formerly known as Shift Media Group Limited) ("HoKoBuy"), at an initial consideration of US$0.67 million (equivalent to approximately HK$5.21 million) in cash, which was subsequently adjusted for the net working capital to US$0.27 million (equivalent to HK$2.07 million) 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 HoKoBuy and Groupon pursuant to which Groupon will provide or cause to provide to HoKoBuy (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.

The financial results of the Group as of and for the year ended 31 December 2017 include HoKoBuy's financial results from 4 March 2017 through 31 December 2017. HoKoBuy contributed HK$47 million of revenue and incurred net loss of HK$9 million (excluding transaction costs used for the acquisition) to the consolidated financial results of the Group for the year ended 31 December 2017.

If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been HK$499 million, and consolidated loss for the period would have been HK$207 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date as a allocation of the purchase price.

	Acquiree's fair value at acquisition date *HK'$000*
Property, plant and equipment	296
Goodwill	897
Merchant relationship	163
Brand name	2,477
Trade and other receivables	10,353
Cash and bank balances	13,110
Trade and other payables	(25,228)
Net identifiable assets acquired and satisfied by cash consideration	2,068

Net cash flow arising on acquisition:	*HK'$000*
Purchase consideration for acquisition of a subsidiary, settled in cash	2,068
Cash and bank balances in business acquired	(13,110)
Cash inflow on acquisition of a subsidiary	(11,042)

The entire goodwill is allocated to the E-commerce CGU of the Group.

BUSINESS REVIEW

O2O convergence is an irresistible global trend in the retail market no matter you are operating physical stores or pioneering in the online market. This trend is further accelerated by the infrastructure investment in expanding digital capacity, in particular on predictive intelligence and e-wallet development, which in turn increases digitalisation on consumer wallet. While Amazon announced to buy Whole Foods, a grocery chain best known for organic foods in June 2017 and Alibaba acquired 36.16% stake in Sun Art Retail, a leading retailer of hypermarket operator in China in November 2017, we are also executing this "New Retail" strategy in Hong Kong aggressively in order to provide a seamless online and offline experience to all consumers in Hong Kong. Given the success in our first two O2O shops opened in North Point and South Horizons, by end of 2017, together with HoKoBuy concept store in Causeway Bay, we have a total of 15 shops in different areas in Hong Kong which has largely enhanced our presence to the local neighbourhood around each shop. This offline-to-online interactivity offered three key benefits to HKTV (1) Brand presence and marketing "tools" for converting physical "visitors" to online "customers", as well as for experiential consumption; (2) Education centre to expand digitalisation to different generation; and (3) Order pick up points to cope with different customers' fulfilment preference. This Bricks to Clicks conversion set up has been proven to be an effective tool to groom our online penetration especially in the selected geographic areas.

Our focus for the year is to boost our online market share in Hong Kong, not only through digital marketing, varieties of product and O2O shops, but also accelerated our expansion through acquisition of Groupon HK in March 2017, which is rebranded as "HoKoBuy" in June 2017, to complement our e-voucher segment. Moreover, during the year, we partnered with various tier one international banks for different credit card promotional campaigns, such as HSBC buy $200 get $200 free and red hot reward campaigns from November to December 2017, the HKTVmall x HoKoBuy cross-selling promotional campaign with Standard Chartered Bank from September to November 2017, etc. The promotional campaigns have extended our reach to new customers under various credit card bases. Aided with our strength in product sourcing to offer more than 174,000 products to consumers, we have successfully boosted up our GMV[1] and order intake significantly during the year. Relative to 2016, our GMV on order intake increased by 218% to HK$1.1 billion and our average daily order intake increased by 247% to about 5,900, with an average order value at HK$496 in 2017. In December 2017, our average daily order intake even increased to 7,600 with average order value at HK$537. By annualising the performance of December 2017, we are building a growing HK$1.5 billion online marketplace. Below is a trend analysis for the monthly performance from January 2016 to the latest available data from 1–15 March 2018, which clearly demonstrates our strong uptrend over the period.

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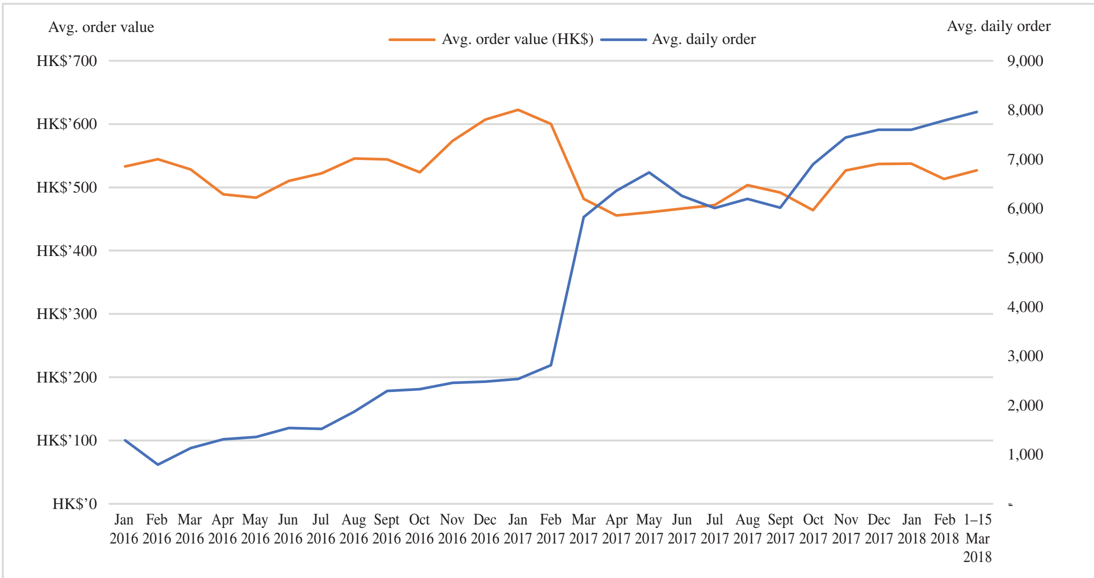
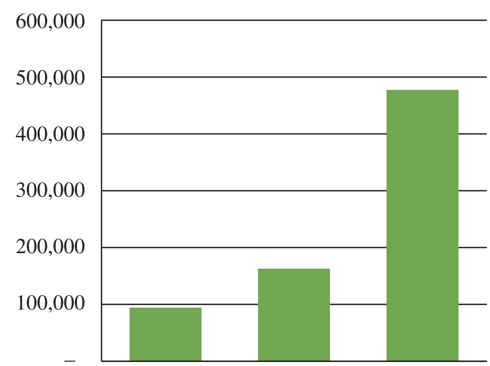
1 Gross Merchandise Value ("GMV") represents the total gross sales dollar value for merchandise sold through a particular marketplace over a certain timeframe, before deduction of any discounts offered by the marketplace, rebate used, cancellation and returns of merchandise sold.



With the strong growth momentum in 2017, on combined basis of HKTVmall and HoKoBuy, we had about 477,000 unique customers making purchases on HKTVmall and/or HoKoBuy platforms during 2017. This was a remarkable growth and encouraging progress in increasing our penetration to the eCommerce market.

Combined Unique Customers



	2015	2016	2017
Combined Unique Customers (rounded to the nearest thousands)	94,000	163,000	477,000

Apart from this, according to our internal system, in the month of December 2017, in aggregate we had about 1,129,000 unique devices[2] landing on the product detail page or performing search at HKTVmall and HoKoBuy platform. This active user base has formed a growing foundation for us to monetise from our product offerings. Moreover, from the user behaviour we collected over the past 3 years which represents our strong digital capabilities — with gradual deployment of different predictive and analytical tools, we will be able to enhance the preciseness in predicting consumer needs so as to build stickiness, create demand and be able to capture the time of need. This could also bring in a win-win situation by assisting our suppliers and merchant partners for a more cost effective digital advertising.

While a lot of people might still thinking HKTV is running an "Online Supermarket", we indeed has successfully evolved into an "Online Shopping Mall" — in December 2017, we had about 37% of our GMV contributed by supermarket and grocery products and the rest were contributed by other product categories, in particular on e-vouchers, electronics and household products. Consumers' digital baskets are enriched by increasing product categories and this 37% supermarket and grocery products sales have secured regular frequency of purchases at HKTVmall. We are gradually building our HKTV New Retail Ecosystem — which is formed by our two online platforms — HKTVmall and HoKoBuy, our O2O shops, our digital capabilities supported by growing data on consumer behaviour, our self-run car fleet having total over 180 vehicles in operation for the end-to-end residential and commercial delivery, as well as operating three logistics centres with floor area over 224,000 square feet at Tsing Yi, Tseung Kwan O and Kwai Chung. Our investments into these logistics infrastructure enable us to provide fresh, frozen, chilled or bulky delivery to consumers in Hong Kong.

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[2] Data on unique device is extracted from our internal system and rounded to the nearest thousand. The data is collected based on the tracking cookies for web browser and the device advertising ID for app, which could be overlapping if (a) same device is used to browse the online shopping web-page through different browsers; (b) same device is used to open online shopping app and to browse online shopping web-page; and (c) the user amends the advertising ID of its device. These data are unaudited and are not indicative of the Company's business performance, financial condition or growth prospect. Readers should not place reliance on these data.

Being a technology company embracing innovation and technological advancement, we understand manual workflow would not bring us to a comparable scale as the successful eCommerce showcases in Asia Pacific region. We are not satisfied with what we are doing now and the standard we are currently serving our customers. It is crystal clear to us that we need to make use of technology to have a complete revolution on the end-to-end process including warehousing and logistics, return and refund process and customer service. Hence, during 2017, we invested tremendous efforts in developing various systems internally and also with professional vendors, such as Salesforce for marketing and customer service, point of sales system for O2O shop operation, courier app, merchant management system and especially the robotic system (phase I) for automatic picking and storage functions from Germany. While at the date of this report, the robotic system (phase I) has been launched officially, most of other items are still under development or in the final testing and commissioning stage, we expect substantial progress of these systems will be gradually launched by the third quarter of 2018 for efficiency gain and better servicing to our customers.

Apart from operating online shopping business under HKTVmall and HoKoBuy, during 2017, the Company continues its business including the offer of free television programming through its Over-The-Top (OTT) platform, international and local content distribution and independent content production. We continue to act as digital solution partner to our suppliers and merchant partners, including content creation, multimedia and digital production and marketing functions. Together with our Big Data capabilities and expertise in digital marketing, we are providing a real end-to-end "Future Retail" solution to our partners.

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 consolidated results include HoKoBuy's financials since 4 March 2017 after the completion of acquisition.

The Group incurred a loss of HK$204.9 million for the year ended 31 December 2017 ("2017"), an improvement of HK$52.2 million from the loss of HK$257.1 million for the corresponding year of 2016 ("2016"). Overall, the decrease in loss for the year under review was mainly due to the following:

1. Strong growth in revenue of the Group to HK$487.3 million for 2017 (2016: HK$187.1 million), partially net off by the increase in costs of inventories by HK$154.9 million to HK$295.2 million. The Group's blended gross margin and commission rate[3] on GMV was 21.3% in 2017, increased from 20.0% in 2016.

2. Increase in valuation gains on investment properties by HK$73.8 million to reach a gain of HK$80.5 million for 2017 (2016: HK$6.7 million) based on the valuation carried out by an independent firm of surveyors; net off by

3. Increase in operating expenses by HK$188.1 million to HK$568.6 million mainly caused by the continued expansion on logistics and warehouse functions, increase in talent costs and the inclusion of HoKoBuy's operating costs since the completion of acquisition in March 2017.

On turnover, the Group achieved HK$487.3 million for 2017 (2016: HK$187.1 million), a growth by 160% relative to 2016, which mainly composed of HK$346.2 million from direct merchandise sales (2016: HK$157.3 million), HK$139.1 million from income from concessionaire sales and other service income (2016: HK$28.5 million), HK$2.0 million from licensing of programme rights and net advertising income (2016: HK$1.2 million).

Cost of inventories increased by HK$154.9 million to HK$295.2 million for 2017 (2016: HK$140.3 million) which was caused by the increase in direct merchandise sales. Given the increasing purchasing power, the volume discount benefit has brought in a higher margin to direct merchandise sales during the year under review.

3 The blended gross margin and commission rate is defined as GMV on completed orders after deduction of any discounts offered by the marketplace, cancellation and returns of merchandise, cost of inventories and payment to merchant after deduction of commission on concessionaire sales, and include delivery and other e-commerce related income, divided by GMV on completed orders after deduction of any discounts offered by the marketplace, cancellation and returns of merchandise.

Other operating expenses increased by HK$188.1 million to HK$568.6 million for 2017 verse HK$380.5 million incurred for 2016. The increase mainly due to the below major items:

1. Talent costs increased by HK$70.4 million to HK$259.5 million. During 2017, to cope with continued growth in number of order intake, the workforce on the logistics and warehouse functions and O2O shop operation increased significantly.

2. Operating lease charges was increased by HK$13.4 million mainly for the full year impact of expanded logistics and warehouse centre in mid-2016, the opening of additional 13 O2O shops in various districts during second half of 2017 and additional office space for HoKoBuy operations.

3. Advertising and marketing expenses increased by HK$10.9 million, in 2017, we focused more on digital advertisement, event marketing and activity-based promotional campaigns to boost sales but less on brand awareness activities.

4. Depreciation on property, plant and equipment increased by HK$12.6 million mainly due to the completion of construction of HKTV Multimedia and Ecommerce Centre (the "Centre") with our headquarters officially relocated since August 2017, and the renovation, furniture and equipment cost for O2O shops.

5. Other than the above, operating costs for owned car fleet, scalable sub-contracted logistics and labour resources, and payment processing charges were also increased to cope with business growth on order intake and GMV.

Other income, net, of HK$94.2 million was earned in 2017 (2016: HK$70.9 million), mainly composed of investment income generated from available-for-sale securities, bank interest income, rental income from investment properties, and net exchange gain. The increase of HK$23.3 million was mainly caused by the increase in exchange gain by HK$35.3 million, from net exchange loss of HK$16.6 million in 2016 to net exchange gain of HK$18.7 million in 2017, HK$6.9 million increase in rental income from investment properties to HK$18.3 million, net off by decrease in returns from investment in available-for-sale securities of HK$17.5 million due to the realisation of a portion of the investment portfolio to support the capital expenditures and operating activities of the Group.

Finance costs increased by HK$1.0 million mainly due to the increase in bank loan during 2017 for investment yield enhancement purpose.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, the Group had cash position, which represented cash at bank and in hand, of HK$100.2 million (31 December 2016: HK$44.4 million) and outstanding borrowings of HK$219.6 million (31 December 2016: HK$184.1 million) drawn for investment yield enhancement purpose. The increase in total cash position was due to the net bank borrowing of HK$35.5 million, net realisation from investment portfolio of HK$342.0 million, net cash inflow on acquisition of subsidiary of HK$11.0 million, net investment income received of HK$59.0 million and proceeds from disposal of plant and equipment of HK$1.0 million, partially net off by purchases of property, plant and equipment of HK$189.5 million, increase in pledged bank deposit of HK$3.9 million, interest paid on bank loans of HK$1.5 million and the resources utilised for operating activities of HK$198.0 million.

On investment in available-for-sale securities, the Group has invested, at fair value, of HK$876.2 million as at 31 December 2017 (31 December 2016: HK$1,183.4 million). 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 2017, there was a surplus of HK$0.1 million being recorded in fair value reserve (31 December 2016: a fair value deficit of HK$18.4 million). Among the available-for-sale securities, about 94.2% (as at 31 December 2016: 96.6%) 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. Investments 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 2017, the Group has utilised HK$219.6 million (31 December 2016: HK$184.1 million) uncommitted banking facilities mainly for investment yield enhancement purpose, leaving HK$957.4 million (31 December 2016: HK$998.6 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at bank and in hand and term deposits within three months of maturity, if any. There is a pledged bank deposit as at 31 December 2017 with amount of US$0.5 million (equivalent to HK$3.9 million) as security for a banking facility of US$0.5 million (equivalent to HK$3.9 million) granted by a bank for certain short term credit facility arrangement and there was no pledged bank deposit as at 31 December 2016.

The debt maturity profiles of the Group as of 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017 *HK$'000*	31 December 2016 *HK$'000*
Repayable within one year	**219,623**	184,144

As at 31 December 2017, our outstanding borrowings bore fixed interest rate and denominated in Hong Kong dollars. After considering the cash, bank balances and term deposits, if any, held by the Group, the gearing ratio of the Group as of 31 December 2017 and 31 December 2016 were 0.06 times and 0.07 times respectively. 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 2017 *HK$'000*	31 December 2016 *HK$'000*
Net Debt *(note (a))*	**119,424**	139,747
Net Asset	**1,862,632**	1,996,663
Gearing (times)	**0.06**	0.07

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

During 2017, the Group invested HK$182.1 million on capital expenditure versus HK$384.6 million in 2016. The capital expenditure was mainly incurred for the construction and renovation costs of the Centre, the expansion of logistics fleet and O2O shops, and the set-up of the robotic system (Phase I) at our Tsing Yi logistics centre. In addition, in March 2017, we accepted the offer of Hong Kong Science and Technology Parks Corporation in relation to the application for an additional use to incorporate an Ecommerce Fulfilment Centre of 5,080 square meters at the Centre by paying a consent fee of HK$62.1 million and fulfilling certain conditions. This consent fee has been paid during the year.

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 the available banking facilities. Overall, the Group's financial position remains sound for continuous business expansion.

Charge on Group Assets

As of 31 December 2017, the Group's bank loans of HK$219.6 million (31 December 2016: HK$184.1 million) were secured by an equivalent amount of available-for-sale securities held by various banks. Moreover, there is a banking facility of US$0.5 million (equivalent to HK$3.9 million) granted by a bank for certain short term credit facility arrangement which is pledged by an equivalent amount of bank deposit (2016: Nil).

Exchange Rates

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

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

Contingent Liabilities

As of 31 December 2017 and 31 December 2016, the Group had no material contingent liabilities or off-balance-sheet obligations.

PROSPECTS

In Hong Kong, while it is always claimed to have a high Internet penetration on eCommerce development, we are in fact one of the "Laggards" among the Asia Pacific region. While the largest eCommerce players in China and South Korea are regarded as "Pioneer" and the O2O convergence is the hot topic in the New Retail world accelerating different merger and acquisitions happening around the world, we still do not see much committed eCommerce activities happening in Hong Kong. Being probably the largest growing self-run eCommerce marketplace in Hong Kong, we always proactively look for ways of innovation to bring ourselves to catch up with the world market. While there is no single "Gateway" App in the local market, we see this indeed is an opportunity for HKTV being the "One App to provide a One-Stop-Shop" solution to all consumers in Hong Kong. We know our future is counted on "Technology".

Hence, given our business model providing end-to-end solution to local consumers is being proven with exponential growth in particular during 2017, we continue to make committed investment to expand our infrastructure — in September 2017, we entered into the second contract of approximately HK$140.9 million with a Germany supplier to set up the phase II and phase III of the robotic system comprising a conveying system, an automatic picking system, an automatic storage and retrieval system and tote handling systems including the software for the material flow control and automatic management. It is expected that phase II will be completed by 2018 and phase III will be completed in Q2 of 2019. Upon completion of all phases, our pick/pack output capacity is estimated to be increased to about 30,000 orders daily. Apart from this mechanical development, we are in the process of reengineering different workflow or implementing automation to minimise the existing operational obstacles and to enhance efficiency, including customer service, merchant acquisition and timely delivery service. We are not only aiming to substantially reduce our reliance on human workforce, but also looking forward to having a more stable, efficient and scalable operating environment to better serve the consumers in Hong Kong. Apart from internal infrastructure for better customer experience, our growing business scale will continue to kick in more benefit on costing perspective. All together with the estimated cost effectiveness from order fulfilment and last mile delivery service, and the lower costs of inventories, we hope our operating margin will be improved in the near future. By capitalising on capacity expansion and merchandising competitiveness, we look forward to monetising from our growing orders and customer base.

TALENT REMUNERATION

Including the Directors, as at 31 December 2017, the Company had 825 permanent full-time employees versus 618 as of 31 December 2016. 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 2017.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2017, 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 2017.

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 2017.

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 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2018 to 24 May 2018, 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 17 May 2018.

AGM

The AGM will be held on 24 May 2018. 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, 27 March 2018

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), Ms. Wong Nga Lai, Alice (Chief Financial Officer), Mr. Lau Chi Kong (Chief Operating Officer) and Ms. Zhou Huijing 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"