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

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

**(1) ADOPTION OF SHARE AWARD SCHEME
AND
(2) CONNECTED TRANSACTION RELATING
TO GRANT OF AWARDED SHARES TO A CONNECTED PERSON
UNDER THE SHARE AWARD SCHEME**

ADOPTION OF THE SCHEME

The Board is pleased to announce that the Company has adopted the Scheme on the Adoption Date. The purposes and objectives of the Scheme are to recognise the contributions by certain Eligible Persons and to provide them with incentives in order to retain them to strive for the future development and expansion of the Group by aligning their interests directly to that of the Shareholders, and to attract suitable personnel for further development of the Group.

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules. No Shareholders' approval is required for the adoption of the Scheme.

GRANT OF AWARDED SHARES TO A CONNECTED PERSON UNDER THE SHARE AWARD SCHEME

On 31 March 2021, the Board has resolved to conditionally award up to 45,799,285 Connected Award Shares in five tranches in relation to five financial years ending 31 December 2021, 2022, 2023, 2024 and 2025 (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) to Mr. Wong, who is an executive Director, the Vice-Chairman, the Group Chief Executive Officer and a substantial shareholder of the Company, under the Scheme.

As Mr. Wong is a connected person (as defined in Chapter 14A of the Listing Rules) to the Company, the Award of up to 45,799,285 Connected Award Shares to Mr. Wong under the Scheme shall constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The AGM will be convened to, among others, seek approval from the Independent Shareholders in respect of the Award of the Connected Award Shares. The circular to the AGM, containing, among other things, (i) details of the Award of the Connected Award Shares; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders on or before 10 May 2021, as further time is required to prepare the information in the circular.

Pursuant to Chapter 14A of the Listing Rules, Mr. Wong, Mr. Cheung and their Associates are required to abstain from voting on the resolution at the AGM to approve the Award of the Connected Award Shares.

(1) ADOPTION OF THE SCHEME

The Board is pleased to announce that the Company has adopted the Scheme on the Adoption Date. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules. No Shareholders' approval is required for the adoption of the Scheme.

SUMMARY OF PRINCIPAL TERMS OF THE SCHEME

Purposes and objectives

The purposes and objectives of the Scheme are to recognise the contributions by certain Eligible Persons and to provide them with incentives in order to retain them to strive for the future development and expansion of the Group by aligning their interests directly to that of the Shareholders, and to attract suitable personnel for further development of the Group.

Effectiveness and duration

The Scheme has been approved by the Board and has become effective on the Adoption Date. Subject to any early termination determined by the Board in accordance with the rules of Scheme, the Scheme is valid and effective for a term of 10 years commencing on the Adoption Date.

Administration

The Scheme shall be subject to the administration of the Board in accordance with the rules of Scheme.

Operation of the Scheme

Award of Awarded Shares to Selected Participants

Subject to the relevant rules of Scheme, the Board may at its absolute discretion select any Eligible Person for participation in the Scheme as a Selected Participant from time to time, and grant such number of Awarded Shares to the Selected Participant in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

The Company shall issue and allot Shares to the Selected Participants under the general or specific mandates granted or to be granted by the Shareholders at the general meetings from time to time so as to satisfy the Awards. The Board would seek specific mandate from the Shareholders for the issue and allotment of Awarded Shares for each Award (i) where any grant of the Awarded Shares would cause the Company to issue and allot Shares in excess of the permitted amount in the general mandate available at the time of the Award; or (ii) where any Award is made to a connected person of the Company.

The Board currently proposes to grant all Awards to the Selected Participants directly, rather than via a Trustee. However, the Board has retained the flexibility under the rules of the Scheme to allow the Company to appoint a Trustee (which should be a third party independent of the Company) in the future to assist the Company with the administration of the Scheme and vesting of the Awards granted. Under the Scheme, to the extent permitted by the applicable laws and by the Listing Rules, the Company may (i) allot and issue Shares to the Trustee to be held by the Trustee pending the vesting of Award granted and which will be used to satisfy the Awards upon vesting; and/or (ii) direct and procure the Trustee to make on-market purchases of the Shares to satisfy the Awards upon vesting.

If a Trustee is appointed, its role would be to, among other things, (i) purchase Shares on market as directed by the Company for the purpose of satisfying the Awards on vesting; and (ii) hold Shares on trust on behalf of the Selected Participants until such time as the relevant Awards vest or lapse. The terms on which a Trustee would be appointed would be governed by a trust deed to be entered into between the Company and the Trustee.

The Company shall comply with the Articles and the relevant Listing Rules when allotting and issuing any new Shares under any general mandate or specific mandate and application shall be made to the Stock Exchange for the granting of the listing of, and permission to deal in the new Shares to be issued.

Where any grant of Awarded Shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with the relevant Listing Rules requirements, including any reporting, announcement and/or Shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

Where any grant of Awarded Shares is proposed to be made to any Selected Participant who is a Director (including an independent non-executive Director), such grant must first be approved by all the members of the remuneration committee of the Board, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee.

Vesting and lapse

The Board may from time to time while the Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Subject to the terms and conditions of the Scheme and the fulfilment of all vesting conditions to the vesting of the Awarded Shares on such Selected Participant, the respective Awarded Shares shall vest in such Selected Participant.

In the event that prior to or on the vesting date, a Selected Participant is found not to be an Eligible Person anymore or is deemed to cease to be an Eligible Person by reason of (i) termination of the employment or contractual engagement of the Selected Participant with any member of the Group by reason of his/her permanent physical or mental disablement, (ii) termination of the employment or contractual engagement of the Selected Participant with any member of the Group by reason of redundancy, (iii) any act of fraud or dishonesty or serious misconduct he has committed, (iv) being declared or adjudged to be bankrupt by a competent court or governmental body or failure to pay his debts as they fall due or entering into any arrangement or composition with his creditors generally or an administrator taking possession of any of his assets, (v) being convicted of any criminal offence or (vi) being convicted of any offence in breach of the SFO or other securities laws or regulations in Hong Kong or other applicable laws or regulations in force from time to time, the relevant Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant vesting date unless the Board determines otherwise at their absolute discretion.

Assignment

Prior to the vesting date, any Award made hereunder shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Awarded Shares transferable to him pursuant to such Award.

Voting Rights

A Selected Participant shall not be entitled to exercise any voting rights and no instructions shall be given by a Selected Participant (including, without limitation, voting rights) to the Company and the Board in respect of the Awarded Shares that have not been vested.

Restrictions under the Scheme

No Award shall be made by the Board under the Scheme where dealings in the Shares are prohibited under any code or requirement of the Listing Rules and any applicable laws from time to time. Without limiting the generality of the foregoing, no such grant is to be made:

- (a) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the application laws and the Listing Rules;
- (b) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;
- (c) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or
- (d) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

Consolidation, sub-division and bonus issue

In the event the Company undertakes a sub-division or consolidation of the Shares, corresponding changes will be made to the number of Awarded Shares that have been granted provided that the adjustments shall be made in such manner as the Board or its delegate(s) determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Scheme for the Selected Participants.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Shares by way of capitalisation of profits or reserves, the Shares attributable to any Awarded Shares shall be deemed to be an accretion to such Awarded Shares and all the provisions hereof in relation to the original Awarded Shares shall apply to such additional Shares.

Scheme limit

No shares shall be subscribed for and/or purchased pursuant to the Scheme, if as a result of such subscription and/or purchase, the number of Shares administered under the Scheme would represent more than 10% of the number of the issued Shares as at the Adoption Date (subject to adjustment in the event of sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) without Shareholders' approval.

Alteration

The Scheme may be amended in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any Selected Participants unless (i) the consent in writing of Selected Participants amounting to three-fourths of all Awarded Shares; or (ii) the sanction of a special resolution passed at a meeting of the Selected Participants amounting to three-fourths of all Awarded Shares is obtained.

Termination

The Scheme shall terminate on the earlier of the 10th anniversary date of the Adoption Date or such date of early termination as determined by the Board by a resolution of the Board provided that such termination shall not affect any subsisting rights of any Selected Participant.

Upon termination of the Scheme, (i) no further grant of Awarded Shares may be made under the Scheme; and (ii) all the Awarded Shares of the Selected Participants granted under the Scheme shall become vested in the Selected Participants according to the conditions of the Award, subject to the receipt by the Board of any prescribed subscription and/or transfer documents (where applicable and as may be required by the Board) duly executed by the Selected Participant.

(2) GRANT OF AWARDED SHARES TO A CONNECTED PERSON UNDER THE SCHEME

On 31 March 2021, the Board has resolved to conditionally award up to 45,799,285 Connected Award Shares in five tranches in relation to five financial years ending 31 December 2021, 2022, 2023, 2024 and 2025 (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) to Mr. Wong, who is an executive Director, the Vice-Chairman, the Group Chief Executive Officer and a substantial shareholder of the Company, under the Scheme, subject to the approval by the Independent Shareholders at the AGM. Subject to the terms and conditions of the rules of the Scheme and the satisfaction of the vesting conditions, such vested Connected Award Shares shall be issued and allotted to Mr. Wong according to the vesting schedule to be mentioned below.

AWARD OF THE CONNECTED AWARD SHARES

An Award of up to 45,799,285 Connected Award Shares will be granted to Mr. Wong for nil consideration, and is conditional upon the satisfaction of the vesting conditions. Mr. Wong has abstained from voting on the Board resolution to approve the Award of the Connected Award Shares to him.

Each tranche of up to 9,159,857 Connected Award Shares represent up to approximately 1% of the total number of Shares in issue as at the Date of Award. The aggregate of up to 45,799,285 Connected Award Shares represent up to approximately 5% of the total number of Shares in issue as at the Date of Award and approximately 4.8% of the total number of Shares in issue as enlarged by the issue and allotment of the maximum number of Connected Award Shares.

Based on the closing price of HK\$11.80 per Share as quoted on the Stock Exchange as at the Date of Award, the market value of the maximum number of Connected Award Shares which may be granted over 5 years is HK\$540,431,563.

The Connected Award Shares, when issued and fully paid, shall rank pari passu among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the date of allotment.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of up to 45,799,285 Connected Award Shares.

The Award of the Connected Award Shares to Mr. Wong has been approved by all the members of the Remuneration Committee.

Vesting schedule and conditions

Subject to the terms and conditions of the rules of the Scheme and the satisfaction of the vesting conditions, the aggregate of up to 45,799,285 Connected Award Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) will be vested in five tranches, each to be vested to Mr. Wong as soon as reasonably practicable after the end of each of the relevant Measurement Period and upon determination by the Board as to whether the vesting conditions have been satisfied for each such tranche and the actual number of Connected Award Shares to be vested under each such tranche.

Conditions

The issue and allotment of the Connected Award Shares to Mr. Wong shall be subject to the following vesting conditions:

- (i) the approval by the Independent Shareholders at the AGM in respect of the issue and allotment of the Connected Award Shares under the Specific Mandate;
- (ii) the granting of the listing approval by the Stock Exchange in respect of the Connected Award Shares;
- (iii) he is and remains the Group Chief Executive Officer of the Company; and
- (iv) for each tranche of the Connected Award Shares, the achievement of a compound annual growth rate of not less than 10% (“**Expected Growth Rate**”) on the Initial Benchmark Price based on the Measurement Price for each relevant Measurement Period (“**Growth Performance Condition**”).

In determining whether the Expected Growth Rate is achieved for the purpose of vesting condition (iv) above for each tranche of the Connected Award Shares, the Company will refer to the target price for the relevant financial year (“**Target Price**”) to which each Measurement Period relates, which shall be calculated as follows:

$$\text{Target Price} = \text{Initial Benchmark Price} * (1 + \text{Expected Growth Rate at 10\%})^n$$

Where,

(a) The value of n for each relevant financial year are as follows:

Relevant financial year	Value of n
Ending 31 December 2021	n = “a”, which represents the number of days elapsed since the reference date on which the Initial Benchmark Price is determined (i.e. either the Date of Award or the date on which the Award of the Awarded Shares is approved by the Independent Shareholders at the AGM) up to the date on which the annual results for the financial year ending 31 December 2021 are published (both dates inclusive), divided by 365.
Ending 31 December 2022	n = 1 + a
Ending 31 December 2023	n = 2 + a
Ending 31 December 2024	n = 3 + a
Ending 31 December 2025	n = 4 + a

The Growth Performance Condition will be satisfied in relation to each tranche of the Connected Award Shares where the Measurement Price for each relevant financial year to which such tranche relates is higher than the Target Price for each such relevant financial year.

Actual number of Connected Award Shares to be vested

An aggregate of up to 9,159,857 Connected Award Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) may be vested to Mr. Wong under each tranche. The actual number of Connected Award Shares to be vested to Mr. Wong under each tranche shall be calculated as follows:

$$\begin{array}{l} \text{Actual number} \\ \text{of Connected} \\ \text{Award Shares} \\ \text{to be vested} \end{array} = \frac{(\text{Measurement Price} - \text{Target Price}) * 5\% * \text{Total Issued Shares}}{\text{Reference Price}}$$

Where,

- (a) “Total Issued Shares” refers to the total number of issued Shares in the capital of the Company as at the end of the relevant Measurement Period.
- (b) “Reference Price” refers to the average closing price of the Shares during the relevant Measurement Period as quoted on the Stock Exchange.

For the purpose hereof:

“**Initial Benchmark Price**” refers to the higher of (i) the average closing price of the Shares during the trading days within the thirty calendar days immediately preceding the Date of Award as quoted on the Stock Exchange, or (ii) the average closing price of the Shares during the trading days within the thirty calendar days immediately preceding the date on which the Award of the Connected Award Shares is approved by the Independent Shareholders at the AGM as quoted on the Stock Exchange (in both cases subject to adjustment in the event of sub-division, consolidation or bonus issue of Shares).

“**Measurement Period**” refers to, in relation to each tranche of the Connected Award Shares, the trading days within the thirty calendar days immediately after the date on which the annual results for the relevant financial year are published by the Company on the Stock Exchange. The relevant financial year for each tranche is as follows:

First tranche:	Financial year ending 31 December 2021
Second tranche:	Financial year ending 31 December 2022
Third tranche:	Financial year ending 31 December 2023
Fourth tranche:	Financial year ending 31 December 2024
Fifth tranche:	Financial year ending 31 December 2025

“**Measurement Price**” refers to, in relation to each tranche of the Connected Award Shares, the average closing price of the Shares during the relevant Measurement Period as quoted on the Stock Exchange, plus the amount of dividends and other distributions per Share paid or in respect of which an ex-dividend event occurred during the relevant financial year.

FURTHER DETAILS OF THE AWARD OF THE CONNECTED AWARD SHARES

The information in relation to the Award of up to 45,799,285 Connected Award Shares to Mr. Wong, is set out below:

Securities to be issued: Up to 45,799,285 new Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme)

Funds to be raised: No funds will be raised by the Company as a result of the issue and allotment of the Connected Award Shares

Identity of the allottee: Mr. Wong

Market price of the Shares: The closing price of the Shares as at 31 March 2021 as quoted on the Stock Exchange is HK\$11.80 per Share.

The average closing price of the Shares for the five consecutive trading days immediately preceding 31 March 2021 as quoted on the Stock Exchange is HK\$12.788 per Share.

The average closing price of the Shares during the trading days within the thirty calendar days immediately preceding 31 March 2021 as quoted on the Stock Exchange is approximately HK\$12.95 per Share.

Vesting: Subject to the terms and conditions of the rules of the Scheme and the satisfaction of the vesting conditions, up to 45,799,285 Connected Award Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares) will be vested in five tranches, each to be vested to Mr. Wong as soon as reasonably practicable after the end of each of the relevant Measurement Period and upon determination by the Board as to whether the vesting conditions have been satisfied for each such tranche and the actual number of Connected Award Shares to be vested under each such tranche.

The Company may delay the issue and allotment of any Connected Award Shares in part or in full if such issue and allotment would trigger the mandatory offer requirement under Rule 26 of the Takeovers Code, but shall issue and allot any such delayed Connected Award Shares as soon as reasonably practicable when it becomes possible to do so without triggering the mandatory offer requirement under Rule 26 of the Takeovers Code.

Fund raising activities in the past 12 months: The Company has not engaged in any fund raising exercises in the 12 months immediately preceding the date of this announcement.

REASONS FOR THE AWARD OF THE CONNECTED AWARD SHARES

The Scheme forms part of the incentive schemes of the Group. The Board considers that the Award of the Connected Award Shares to Mr. Wong provides reward to Mr. Wong for the past business performance of the Group and also incentives to Mr. Wong to achieve the objectives of increasing the value of the Company and further align the interests of Mr. Wong directly to the Shareholders through increased direct ownership of Shares.

Business performance of the Group

The Board considers that the Award of the Connected Award Shares provides reward to Mr. Wong for the past business performance of the Group.

The Group is principally engaged in (i) the provision of multimedia production and contents distribution as well as operating a 24-hour online shopping mall providing a “one-stop shop” platform including online shopping, delivery service and an impressive customer experience; and (ii) the provision of technology on an integrated end-to-end eCommerce solution including hardware and software systems as a service, aiming to enable traditional supermarkets or retailers locally and globally to enter into digital retailing successfully (“**Solution Business**”).

Mr. Wong is the co-founder of the Group and is the Group Chief Executive Officer, and is primarily responsible for overall strategic planning and management of the Group as well as the business direction of the Hong Kong and international business operations of the Group. Under the leadership of Mr. Wong, the Group has seen a rapid growth in its business performance during the past three years.

During the year ended 31 December 2019, the Group’s total gross merchandise value (“**GMV**”) on order intake, average daily order number and combined number of unique customers reached HK\$2,779.1 million, 15,100 and 823,000 respectively in 2019, representing a year-on-year of approximately 46.9%, 46.6% and 21.0%. The turnover of the Group increased by approximately 57.7% from approximately HK\$896.4 million for the year ended 31 December 2018 to approximately HK\$1,414.0 million. Despite the Group continued to record loss in 2019, after excluding interest on bank loans, income tax expense, depreciation of property, plant and equipment (excluding depreciation of other properties leased for own use after the adoption of HKFRS 16), amortisation of intangible assets, investment returns, gain on disposal of a subsidiary in 2018, and major non-cash items (“**Adjusted EBITDA**”), the Group incurred Adjusted EBITDA loss of HK\$216.0 million for the year ended 31 December 2019 versus Adjusted EBITDA loss of HK\$271.4 million in 2018, representing a significant improvement of HK\$55.4 million.

During the year ended 31 December 2020, leveraging on the infrastructure and capability built over the past six years, the Group was able to capture the growth opportunity due to consumers’ accelerated shift of their purchasing habit from offline to online, and recorded drastic growth in 2020. The Group’s total GMV on order intake, average daily order number and combined number of unique customers reached HK\$5,953.7 million, 32,300 and 1,107,000 respectively, representing a year-on-year of approximately 114.2%, 113.9% and 34.5%, respectively. As a result of the significant growth in operation performance, turnover

of the Group doubled to approximately HK\$2,877.9 million in 2020. The Group also turned from loss to profit in 2020, and recorded net profit and Adjusted EBITDA of approximately HK\$183.6 million and HK\$307.0 million respectively for the year ended 31 December 2020.

Future developments of the Group

The Board considers that the Award of the Connected Award Shares provides incentives to Mr. Wong to lead the future developments and direction of the Group.

The Group's eCommerce business has leapfrogged and transformed from an "online supermarket" since its establishment as such in 2015 into an "online shopping mall" now, serving over a million consumers and more than 4,200 global and local brand owners, authorised distributors and retailers. Under the vision of Mr. Wong, the Group is continuing to strive to build a sustainable digital ecosystem for the long term through the planned launch of various innovative projects including further phases of Open Databank and in-app live shopping channels as well as HKTV express (1-hour delivery option) and Eco Mart (pre-owned goods marketplace).

Furthermore, as announced in August 2020, Mr. Wong also led the Group into a new business segment, its Solution Business. Under the Group's Solution Business, Mr. Wong also leads the international business and research and development teams in Hong Kong and overseas in full force to drive for the adoption of the Group's end-to-end online food and shopping mall solution in Hong Kong and anywhere in the world. In December 2020, the Group has entered into a definitive eCommerce solution agreement with a retail group in Hong Kong and the Group will provide the hardware and software system as a service to the retail group to support the set-up of its online shopping mall. Based on the latest progress, it is expected to be launched in Q3 or Q4 2021.

Mr. Wong as the core figure of the Group

Mr. Wong's creativity and extensive knowledge and experience in driving successful technical development and commercial deployment is indispensable and not replaceable for the Group's eCommerce Business and Solution Business. Considering the growth in past business performance and the expected future growth, as well as the venture into the new business segment of Solution Business under the leadership of Mr. Wong, he is essentially the core figure of the Group who has made substantial contribution to the Group and is closely connected with the performance and future development of the Group.

The Board considers that the Award of the Connected Award Shares to Mr. Wong recognizes his expertise which will support the Group's business expansion and will allow the Group to encourage and retain Mr. Wong to work with the Group, and secure his long term support and commitment to the Group. In turn, Mr. Wong's long term support and effort will further promote the Group's future development.

Alignment with Shareholders' interest

Furthermore, based on the Growth Performance Condition for the vesting of the Connected Award Shares, in order for Mr. Wong to have the Connected Award Shares to vest in full, the Share price has to reach approximately 24% over the Target Price during each of relevant Measurement Periods, representing a total annual growth rate of no less than 36%

in Share price assuming the Expected Growth Rate is 10% per annum. Accordingly, the Award and the economic benefits of the Connected Award Share are dependent on the improvement in the price of the Shares and hence Mr. Wong can only benefit when all the Shareholders are also in a position to benefit from the increase in Share price. In addition, as the Award of the Connected Award Shares will vest over a period of five years, Mr. Wong's interests will be further aligned with that of the Shareholders in increasing the value of the Company and price of the Shares over a sustained period.

No cash outflow under the Award of the Connected Award Shares

The Award of the Connected Award Shares will enable the Company to obviate cash outflow while allowing long-term incentives to Mr. Wong to make future contribution to the operation of the Group and drive the Group's performance, as compared to other alternatives which have been considered by the Board including but not limited to commission plans and other cash incentives.

Dilution effect not material

As at the date of this announcement, the total number of Shares in issue was 915,985,743 Shares, among which 509,506,803 Shares or approximately 55.6% of the Shares in issue were held by the public Shareholders. Assuming there are no changes to the number of Shares in issue and Mr. Wong is able to meet the vesting conditions for each tranche, immediately after the allotment and issue of the maximum number of each tranche of 9,159,857 Connected Award Shares to Mr. Wong, the shareholding of the public Shareholders will only be slightly diluted from approximately 55.6% by the following:

After allotment and issue of the maximum number of each tranche of 9,159,857 Connected Awarded Shares	Maximum dilution from corresponding tranche to public Shareholders by
First tranche	Approximately 0.6%
Second tranche	Approximately 0.5%
Third tranche	Approximately 0.5%
Fourth tranche	Approximately 0.5%
Fifth tranche	Approximately 0.5%

Meanwhile, the Share price has to reach approximately 24% over the Target Price for each tranche of Connected Award Shares to be vested in full, which represents a total growth rate of no less than 36% per annum in Share price assuming the Expected Growth Rate is 10% per annum.

Overall, the shareholding of the public Shareholders will be diluted from approximately 55.6% to approximately 53.0% in 5-years' time. Accordingly, in the circumstances Mr. Wong were to be allotted the maximum number of Connected Award Shares, hypothetically, the public Shareholders will be able to enjoy a cumulative appreciation in the price of the Shares of at least 4.7 times at a "cost" of dilution of only 2.6% in a period of approximately five years.

The Board also considered the grant of share options to Mr. Wong as an alternative to provide incentives to Mr. Wong, but given Mr. Wong would be required to pay the exercise price upon exercise of the share options and as such significantly higher number of share options would need to be granted to Mr. Wong to provide the comparable incentives as the Award of Connected Award Shares, thereby resulting in higher dilution impact on the shareholding interests of the public Shareholders, the Board considers the grant of share options to be a less desirable alternative compared to the Award of the Connected Award Shares.

Having considered (i) the past contribution by Mr. Wong to the Group's business performance; (ii) the expected future developments of the Group under Mr. Wong's leadership; (iii) Mr. Wong's qualifications and track record, his essentiality to the Group, and the need to secure his long term support and commitment to the Group; (iv) that the Award of the Connected Award Shares is conditional upon the achievement of the Expected Growth Rate and will vest over a period of five years; (v) that there will not be any actual cash outflow by the Group under the Award of the Connected Award Shares in providing incentives to Mr. Wong; and (vi) that the dilution effect on the public Shareholders' shareholding is not material, the Directors (other than the independent non-executive Directors who will give their opinion after considering the advice from the Independent Financial Adviser) consider that the terms and conditions of the Award are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE ISSUE OF THE CONNECTED AWARD SHARES ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the total number of Shares in issue was 915,875,743 Shares. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Connected Award Shares, assuming that (a) all Connected Award Shares will be issued and allotted to Mr. Wong; and (b) there are no changes to the number of Shares in issue other than changes as a result of the issue and allotment of the Connected Award Shares:

Shareholders	As at the date of this announcement		Immediately after the issue and allotment of the Connected Award Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. Wong (<i>Note 1</i>)	355,051,177	38.8	400,850,462	41.7
Mr. Cheung (<i>Note 2</i>)	51,377,763	5.6	51,377,763	5.3
Ms. Wong Nga Lai, Alice	50,000	0	50,000	0
Public Shareholders	<u>509,506,803</u>	<u>55.6</u>	<u>509,506,803</u>	<u>53.0</u>
Total	<u>915,985,743</u>	<u>100</u>	<u>961,785,028</u>	<u>100</u>

Notes:

1. Top Group International Limited, which holds 355,051,177 Shares, is a corporation accustomed to act in accordance with the directions of Mr. Wong, Vice Chairman and Group Chief Executive Officer of the Company and an executive Director.
2. As at the date of this announcement, Mr. Cheung, is interested in 51,377,763 Shares, of which 24,924,339 Shares are held by Worship Limited which is 50% owned by Mr. Cheung.

LISTING RULES IMPLICATIONS

Mr. Wong is an executive Director of the Company and is interested in approximately 38.8% of the issued share capital of the Company through Top Group International Limited, and is accordingly a connected person (as defined in Chapter 14A of the Listing Rules) to the Company and the Award of up to 45,799,285 Connected Award Shares to Mr. Wong under the Scheme shall constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wong and Mr. Cheung (a first cousin of Mr. Wong) and their respective Associates are required to abstain from voting on the resolution(s) to approve the Award of the Connected Awarded Shares and the transactions contemplated thereunder at the AGM. As at the date of this announcement, so far as the Directors were aware and based on available information, Mr. Wong and his Associates are interested in 355,051,177 Shares and Mr. Cheung and his Associates are interested in 51,377,763 Shares, respectively representing approximately 38.8% and approximately 5.6% of the total issued share capital of the Company.

Save for the aforesaid and to the best knowledge, information and belief of the Board, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Award of the Connected Award Shares and the transactions contemplated thereunder at the AGM.

GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Award of the Connected Award Shares to Mr. Wong is on normal commercial terms, and in the ordinary and usual course of business of the Group and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

AGM AND CIRCULAR

The AGM will be convened to, among others, seek approval from the Independent Shareholders in respect of the Award of the Connected Award Shares and the grant of the Specific Mandate. The circular to the AGM, containing, among other things, (i) details of the Award of the Connected Award Shares, (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders on or before 10 May 2021, as further time is required to prepare the information in the circular.

DEFINITIONS

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

“Adoption Date”	31 March 2021, the date on which the Scheme is adopted by the Company;
“AGM”	the annual general meeting of the Company to be convened and held for considering and approving, among others, the Award of the Connected Award Shares;
“Articles”	the articles of association of the Company (as amended from time to time);
“Associate”	has the meaning ascribed to it under the Listing Rules;
“Award”	an award of the Awarded Shares by the Board to a Selected Participant;
“Awarded Share(s)”	in respect of a Selected Participant, such number of Shares awarded by the Board;
“Board”	the board of Directors;
“Company”	Hong Kong Television Network Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1137);
“Connected Award Shares”	up to 45,799,285 Award Shares to be issued and allotted in favour of Mr. Wong under the Scheme, subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme;
“connected person”	has the meaning as defined in the Listing Rules;
“Date of Award”	31 March 2021, the date on which the Board resolved to award the Connected Award Shares to Mr. Wong under the Scheme;
“Director(s)”	director(s) of the Company;
“Eligible Person(s)”	any individual, being an Employee, Director, officer, consultant or adviser of any member of the Group or any other person whom the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group;
“Employee”	any employee of any member of the Group;

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors of the Company, namely Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin, formed for the purpose of advising the Independent Shareholders of the Award of the Connected Award Shares;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Award of the Connected Award Shares;
“Independent Shareholders”	Shareholders other than Mr. Cheung and Mr. Wong and their respective Associates;
“inside information”	has the meaning as defined in the SFO;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mr. Cheung”	Mr. Cheung Chi Kin, Paul, the Chairman and an executive Director of the Company;
“Mr. Wong”	Mr. Wong Wai Kay, Ricky, who is an executive Director, the Vice-Chairman, Group Chief Executive Officer and a substantial shareholder of the Company;
“Remuneration Committee”	the remuneration committee of the Company;
“Scheme”	the share award scheme adopted by the Company on the Adoption Date, in its present form or as amended from time to time in accordance with the provisions thereof;
“Selected Participant(s)”	any Eligible Person or such Eligible Person’s wholly owned company or trust (the beneficiaries of which include such Eligible Person and/or his immediate family members) selected by the Board for participation in the Scheme;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shares”	ordinary shares in the share capital of the Company;

“Shareholder(s)”	holder(s) of the Share(s);
“Specific Mandate”	a specific mandate to issue and allot the Connected Award Shares, which is subject to the approval by the Independent Shareholders;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning as defined in the Listing Rules;
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong;
“Trustee”	a professional trustee which the Company may appoint to assist with the administration of the Scheme and the vesting of Awards granted; and
“%”	per cent.

By Order of the Board
Hong Kong Television Network Limited
Cheung Chi Kin, Paul
Chairman

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Cheung Chi Kin, Paul (Chairman), Mr. Wong Wai Kay, Ricky (Vice Chairman and Group Chief Executive Officer), Ms. Wong Nga Lai, Alice (Group Chief Financial Officer), Mr. Lau Chi Kong (Chief Executive Officer (International Business)) and Ms. Zhou Huijing (Chief Executive Officer (Hong Kong)) and the independent non-executive Directors of the Company are Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin.