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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

OPERATIONAL HIGHLIGHT

1. Gross Merchandise Value ("GMV") on order intake[1] during 1H2018 of HK$816.7 million (1H2017: HK$453.8 million), represented about 76% of our achievement for the 12 months ended 31 December 2017;

2. By annualising the GMV on order intake of June 2018 at HK$152.6 million, we are building a growing HK$1.83 billion online shopping mall;

3. Average daily order intake reaching 8,900 in 1H2018 (1H2017: 5,100) with average order value at HK$505 (1H2017: HK$491). Since May 2018, our Average daily order intake has exceeded 10,000 orders; and

4. On combined basis, we had 427,000 unique customers purchased at HKTVmall and/or HoKoBuy during 1H2018, while there was only 149,000 unique customers purchased at HKTVmall and/or HoKoBuy during 1H2017.

[1] Gross Merchandise Value ("GMV") on order intake 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.

FINANCIAL HIGHLIGHT

1. Over 90% growth in turnover reaching HK$388.6 million in 1H2018 versus HK$203.9 million in 1H2017;

2. Turnover is composed of:

   i. Direct merchandise sales of HK$297.2 million (1H2017: HK$148.2 million) with gross margin at 19.5% (1H2017: 15.9%);

   ii. Income from concessionaire sales and other service income of HK$86.9 million (1H2017: HK$54.7 million) with blended commission rate at 18.0% (1H2017: 20.1%); and

   iii. Licensing of programme rights and net advertising income of HK$4.5 million (1H2017: HK$1.0 million).

3. Managed Adjusted EBITDA[2,3] loss at HK$128.4 million in 1H2018 versus loss at HK$126.1 million in 1H2017;

4. Net loss of HK$139.9 million in 1H2018 vs HK$96.2 million in 1H2017; and

5. Maintained strong financial position with investment in other financial assets, cash at bank and in hand, pledged bank deposit, net of bank loans, totalling HK$540.3 million (31 December 2017: HK$760.6 million).

[2] Adjusted EBITDA loss is not a measure of performance under Hong Kong Financial Reporting Standards ("HKFRSs"). This measure does not represent, and should not be used as a substitute for, net loss or cash flows from operations as determined in accordance with HKFRSs. This measure is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definition of this measure may not be comparable to other similarly titled measures used by other companies.

[3] Adjusted EBITDA loss means loss for the period plus interest on bank loans, income tax expenses/(credit), depreciation and amortisation of intangible assets and less investment returns, and adjusted by major non-cash items.

Dear Shareholders,

Since the official launch in February 2015, HKTVmall has been in operation for more than 3 years. The road towards "Online Shopping Mall" in Hong Kong has never been easy. With the joint efforts and persistence from HKTVmall and our 2,000+ merchants, we have gradually changed the shopping habits of Hong Kong people and have opened up a new direction for retailing in Hong Kong that is well-paced with the global technology trend.

It is now an indisputable fact that Hong Kong consumers demand for innovative online shopping services, and as evident from data, we are sure that Hong Kong possesses great market demand for "online shopping services". There is one mission for our Group — we strike to build a competitive and scalable online shopping platform for Hong Kong to prevent our retailing industry from losing consumers, and to protect Hong Kong from losing its position as Shoppers' Paradise to overseas online shopping platforms unconsciously.

Over the past years, we have made attempts and investments in many facets, including marketing promotions and sales, customer experience enhancement, warehousing, pick & pack system as well as logistics & delivery services, in order to search for an ideal online shopping operation model to suit Hong Kong's business environment. Extending the Offline-to-Online Convergence strategy in 2017, we devote most of our resources in acquiring new customers, expanding warehouse, pick & pack as well as logistics & delivery capabilities in order to support sustainable growth to the Group's business.

We have always been saying that Hong Kong is just a tiny little place, and online shopping business is a volume game that requires infrastructure from a strong platform, including a wide variety of product choices, tremendous browsing traffic and customers, automated pick & pack system that can handle large volume of orders, and also logistics & delivery; only online shopping platform with this scale can cater for large volume of orders, and to achieve breakeven or even profitability.

The operation model of HKTVmall has been questioned by many people, even from our internal colleagues, wondering why we do not consider to work with established companies from relevant industries with experience and expertise advantages. My answer is, the only way to minimize the opportunities that our business model to be replicated by our competitors is to build our own infrastructures.

Over the past three and a half years together with the coming year, we embrace a clear goal to build a large scale "infrastructure" for online shopping platform in Hong Kong, to build an "infrastructure" that competitors have to spend a long time to catch up with, to build an "infrastructure" that our Hong Kong retailers have not been trying to develop with science and technology over the past decades.

These "infrastructures", including a system that handles and combines the order, picking, return, exchange and payment for our 2,000+ merchants; an automated warehousing, pick & pack system that keeps 20,000 to 30,000 products and processes more than 30,000 orders daily; a logistics and delivery system that collects and disseminates products from multiple merchants and consolidates into one single order. While you may not be able to imagine the difficulties and complications, this explains why there is no large scale online shopping platform in Hong Kong until today.

Apart from “infrastructure”, externally, we shall continue to work with merchants from different industries in the coming 2 to 3 years in order to enrich our product and service spectrum. Among all, financial products, such as general insurance (including travel, home, motor, personal accident, medical, critical illness, overseas study, domestic helper) and life insurance products (including term life), personal loan, credit card application, etc. are under the pipeline.

Internally, we are actively planning ahead for the breakeven or even the profitable stage, and have set 4 target stages for our operational model: Stage 1 is the cost control for warehousing, pick & pack and delivery services. Stage 2 is the online shopping mall operation costs, including merchandising, marketing promotions, new customer acquisition and customer services. Stage 3 focuses on supporting functions including finance, administration, talent management and benefits; while stage 4 is research and development including information technology and new service development. Stage 1 is primarily variable to the business growth, which is the major variables to breakeven while stage 2–4, are primarily in fixed cost nature to certain extent.

In May and June this year when our daily order exceeding 10,000, combining all the orders for HKTVmall and HoKoBuy, we have passed stage 1 of our breakeven plan. We target to achieve operational breakeven in coming 2 to 3 years, and to become the largest and profitable online shopping platform in Hong Kong.

We wish that you can stand by HKTVmall, and to support the only large scale online shopping platform for Hong Kong people!

Wong Wai Kay, Ricky
Chairman

Hong Kong, 30 August 2018

The Board of Directors (the "Board" or the "Directors") of Hong Kong Television Network Limited ("HKTV" or the "Company") hereby announce the consolidated income statement for the six months ended 30 June 2018 and the consolidated statement of financial position as at 30 June 2018 of the Company and its subsidiaries (collectively referred to as the "Group"), which are unaudited.

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018
(Expressed in Hong Kong dollars)

		Six months ended	
		30 June 2018	30 June 2017
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**388,598**	203,905
Direct merchandise sales	*3*	**297,165**	148,181
Cost of inventories		**(239,139)**	(124,556)
		58,026	23,625
Income from concessionaire sales and other service income	*3*	**86,899**	54,661
Licensing of programme rights and net advertising income	*3*	**4,534**	1,063
Valuation gains on investment properties		**19,700**	23,900
Other operating expenses		**(336,315)**	(247,657)
Other income, net	*4*	**30,030**	48,787
Finance costs	*5(a)*	**(2,472)**	(782)
Loss before taxation	*5*	**(139,598)**	(96,403)
Income tax (expense)/credit	*7*	**(265)**	199
Loss for the period		**(139,863)**	(96,204)
Basic and diluted loss per share	*9*	**HK$0.17**	HK$0.12

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018
(Expressed in Hong Kong dollars)

		Six months ended	
		30 June 2018	30 June 2017
	Note	***HK$'000***	*HK$'000*
Loss for the period		**(139,863)**	(96,204)
Other comprehensive income for the period	*6*		
Item that will not be reclassified subsequently to profit or loss:			
Equity instruments designated at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)		**(5,650)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of an overseas subsidiary		**(29)**	39
Available-for-sale securities: net movement in fair value reserve *(ii)*		**–**	15,754
Debt securities measured at fair value through other comprehensive income — net movement in fair value reserve (recycling)		**(23,567)**	–
Other comprehensive income for the period		**(29,246)**	15,793
Total comprehensive income for the period		**(169,109)**	(80,411)

Notes:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018, part of the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods, see note 2(b).

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018
(Expressed in Hong Kong dollars)

	Note	**30 June 2018** **HK$'000**	31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,167,751**	1,152,387
Intangible assets		**100,679**	99,828
Goodwill		**897**	897
Long-term receivables, deposits and prepayments		**47,339**	11,912
Other financial assets	*10*	**673,934**	675,161
		1,990,600	1,940,185
Current assets			
Other receivables, deposits and prepayments		**71,640**	63,276
Tax recoverable		**–**	1,007
Inventories		**32,412**	26,912
Other current financial assets	*10*	**49,171**	201,004
Pledged bank deposit		**3,905**	3,905
Cash at bank and in hand		**87,347**	100,199
		244,475	396,303
Current liabilities			
Accounts payable	*11*	**100,425**	92,951
Other payables and accrued charges	*11*	**147,773**	154,840
Deposits received		**4,286**	4,286
Bank loans		**274,058**	219,623
		526,542	471,700
Net current liabilities		**(282,067)**	(75,397)
Total assets less current liabilities		**1,708,533**	1,864,788
Non-current liabilities			
Deferred tax liabilities		**2,421**	2,156
NET ASSETS		**1,706,112**	1,862,632
CAPITAL AND RESERVES	*12*		
Share capital		**1,277,181**	1,268,914
Reserves		**428,931**	593,718
TOTAL EQUITY		**1,706,112**	1,862,632

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

Notes:

1 BASIS OF PREPARATION

The interim results set out in the announcement are extracted from the Group's unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Main Board Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issuance on 30 August 2018.

This unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an unaudited interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in the interim financial report to be sent to shareholders.

The financial information relating to the financial year ended 31 December 2017 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves and the related tax impact at 1 January 2018.

	HK$'000
Retained profits	
Transferred from available-for-sale investment fair value reserve relating to units in investment funds now measured at fair value through profit or loss ("FVPL")	(18,706)
Recognition of additional expected credit losses on debt securities measured at fair value through other comprehensive income ("FVOCI")	(1,552)
Net decrease in retained profits at 1 January 2018	(20,258)
Available-for-sale investment fair value reserve	
Transferred to retained profits relating to units in investment funds now measured at FVPL	18,706
Transferred to fair value reserve (recycling) relating to debt securities now measured at FVOCI	(11,003)
Transferred to fair value reserve (non-recycling) relating to equity instruments now designated at FVOCI	(7,840)
Net decrease in available-for-sale investment fair value reserve at 1 January 2018	(137)
Fair value reserve (recycling)	
Transferred from available-for-sale investment fair value reserve relating to debt securities now measured at FVOCI	11,003
Recognition of additional expected credit losses on debt securities measured at FVOCI	1,552
Net increase in fair value reserve (recycling) at 1 January 2018	12,555
Fair value reserve (non-recycling)	
Transferred from available-for-sale investment fair value reserve relating to equity instruments now designated at FVOCI	7,840
Net increase in fair value reserve (non-recycling) at 1 January 2018	7,840

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Financial assets designated at FVOCI (non-recycling)				
Equity securities *(note (i))*	–	29,293	–	**29,293**
Perpetual bonds *(note (ii))*	–	59,970	–	**59,970**
	–	89,263	–	**89,263**
Financial assets measured at FVOCI (recycling)				
Debt securities *(note (iii))*	–	634,554	–	**634,554**
Financial assets measured at FVPL				
Units in investment funds *(note (iv))*	–	152,348	–	**152,348**
Financial assets classified as available-for-sale under HKAS 39	876,165	(876,165)	–	**–**

Notes:

(i) Equity securities not held for trading were classified as available-for-sale financial assets under HKAS 39. These assets are designated at FVOCI (non-recycling) under HKFRS 9.

(ii) Perpetual bonds not held for trading were classified as available-for-sale financial assets under HKAS 39. These assets are designated at FVOCI (non-recycling) under HKFRS 9.

(iii) Debt securities not held for trading were classified as available-for-sale financial assets under HKAS 39. These assets continue to be measured at FVOCI (recycling) under HKFRS 9.

(iv) Units in investment funds not held for trading were classified as available-for-sale financial assets under HKAS 39. They are measured at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

— cash and cash equivalents and other receivables;

— debt securities measured at FVOCI (recycling);

Financial assets measured at fair value, including perpetual bonds and equity securities designated at FVOCI (non-recycling) as well as units in investment funds measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Impairment based on the ECL model introduced by HKFRS 9 on other receivables have no significant financial impact on the interim financial information.

For debt securities measured at FVOCI, the Group recognises a loss allowance equal to 12-month ECLs, being losses expected to result from possible default events within the 12 months after the reporting date, unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

Under the requirement of HKFRS 15, revenue from sale of goods and provision of services by the Group is recognised when the customer obtains control of the promised goods and services in the contract. Transfer of significant risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As at 30 June 2018, the Group has contract liabilities of HK$27,379,000 (31 December 2017: HK$45,176,000 as receipt in advance from customers), which represents the obligation to transfer goods to customers for which the consideration has been received, and is included in "other payables and accrued charges" in the consolidated statement of financial position. Except that, the adoption of HKFRS 15 has no significant financial impact on this interim financial information.

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").

	Six months ended	
	30 June	30 June
	2018	2017
	HK$'000	*HK$'000*
Direct merchandise sales	**297,165**	148,181
Income from concessionaire sales and other service income	**86,899**	54,661
Licensing of programme rights and net advertising income	**4,534**	1,063
	388,598	203,905

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 resource 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

	Six months ended	
	30 June	30 June
	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**15**	34
Dividend income from other financial assets	**440**	243
Interest income from other financial assets	**20,692**	27,389
Gain on disposal of debt securities	**10**	1,744
Unrealised fair value loss on units in investment funds measured at FVPL	**(7,895)**	–
Reversal of expected credit losses on debt securities measured at FVOCI	**471**	–
Rentals from investment properties	**11,253**	6,362
Net exchange gain	**2,748**	12,111
Others	**2,296**	904
	30,030	48,787

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June 2018 HK$'000	30 June 2017 HK$'000
(a) Finance costs		
Interest on bank loans	**2,366**	656
Bank charges	**106**	126
	2,472	782
(b) Other items		
Advertising and marketing expenses	**30,993**	13,499
Depreciation	**30,658**	21,596
Amortisation of intangible assets	**10,989**	6,516
Loss on disposal of property, plant and equipment	**33**	13
Operating lease charges in respect of land and building	**20,622**	19,789
Acquisition-related costs incurred in business combination	**–**	1,068
(c) Talent costs		
Wages and salaries	**132,279**	104,046
Retirement benefit costs — defined contribution plans	**5,674**	3,749
Equity settled share-based payment expenses	**7,189**	6,917
	145,142	114,712

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

6 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to other comprehensive income

	Six months ended					
	30 June 2018			30 June 2017		
	Before-tax amount	**Tax expense**	**Net-of-tax amount**	Before-tax amount	Tax expense	Net-of-tax amount
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling)	**(5,650)**	**–**	**(5,650)**	–	–	–
Exchange difference on translation of financial statements of an overseas subsidiary	**(29)**	**–**	**(29)**	39	–	39
Available-for-sale securities: net movement in fair value reserve	**–**	**–**	**–**	15,754	–	15,754
Debt securities measured at FVOCI — net movement in fair value reserve (recycling)	**(23,567)**	**–**	**(23,567)**	–	–	–
Other comprehensive income	**(29,246)**	**–**	**(29,246)**	15,793	–	15,793

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

	Six months ended	
	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
Debt securities measured at FVOCI — net movement in fair value reserve (recycling)		
— Changes in fair value recognised during the period	**(23,557)**	–
— Reclassified to profit or loss upon disposal	**(10)**	–
	(23,567)	–
Available-for-sale securities		
— Changes in fair value recognised during the period	**–**	17,498
— Reclassified to profit or loss upon disposal	**–**	(1,744)
	–	15,754

7 INCOME TAX (EXPENSE)/CREDIT

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements in both periods as the Group sustained a loss for taxation purpose during the periods. The provision for Hong Kong Profits Tax is calculated by applying annual effective tax rate of 16.5% (2017: 16.5%) to the six months ended 30 June 2018.

The amount of income tax (expense)/credit in the consolidated income statement represents:

	Six months ended	
	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
Current taxation		
Hong Kong Profits Tax	**–**	–
Deferred taxation		
Origination and reversal of temporary differences	**(265)**	199
	(265)	199

8 DIVIDENDS

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2018. No final dividend was declared for the year ended 31 December 2017.

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of HK$139,863,000 (six months ended 30 June 2017: HK$96,204,000) and the weighted average of 810,977,000 ordinary shares (six months ended 30 June 2017: 809,017,000 shares) in issue during the interim period.

The diluted loss per share for the periods ended 30 June 2018 and 30 June 2017 are 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 during the periods ended 30 June 2018 and 30 June 2017 respectively.

10 OTHER FINANCIAL ASSETS

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Equity instruments designated at FVOCI (non-recycling)		
— Equity securities	**27,788**	–
— Perpetual bonds	**63,849**	–
	91,637	–
Debt securities measured at FVOCI (recycling)		
— Maturity dates within 1 year	**49,171**	–
— Maturity dates over 1 year	**438,527**	–
	487,698	–
Units in investment funds measured at FVPL	**143,770**	–
Available-for-sale debt securities		
— Maturity dates within 1 year	**–**	201,004
— Maturity dates over 1 year	**–**	624,828
	–	825,832
Available-for-sale equity securities		
— Listed	**–**	35,794
— Unlisted	**–**	14,539
	–	50,333
	723,105	876,165

All of these financial assets were carried at fair value as at 30 June 2018 and 31 December 2017.

11 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Accounts payable	**100,425**	92,951
Contract liabilities	**27,379**	–
Other payables and accrued charges	**120,394**	154,840
	248,198	247,791

Note: As a result of the adoption of HKFRS 15, receipt in advance from customers of HK$27,379,000 which was included in other payables and accrued charges is recognised as contract liabilities (see note 2(c)).

(a) The aging analysis of the accounts payable is as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Current–30 days	**94,207**	87,591
31–60 days	**2,845**	882
61–90 days	**1,103**	882
Over 90 days	**2,270**	3,596
	100,425	92,951

(b) Other payables and accrued charges

Other payables and accrued charges primarily consist of accruals for Talent salaries and bonus, payable for purchase of property, plant and equipment, outsourced manpower services expenses and advertising and promotional expenses. The amount as at 31 December 2017 included receipt in advance from customers, which was disclosed separately as "Contract liabilities" as at 30 June 2018 upon the adoption of HKFRS 15.

12. CAPITAL AND RESERVES

	Note	Attributable to equity shareholders of the Company									
		Share capital	**Retained profits**	**Revaluation reserve**	**Available-for-sale investment fair value reserve**	**Fair value reserve (recycling)**	**Fair value reserve (non-recycling)**	**Exchange reserve**	**Capital reserve**	**Other reserve**	**Total equity**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 31 December 2017		**1,268,914**	**383,287**	**183,338**	**137**	**–**	**–**	**(23)**	**28,805**	**(1,826)**	**1,862,632**
Impact on initial application of HKFRS 9	*2*	**–**	**(20,258)**	**–**	**(137)**	**12,555**	**7,840**	**–**	**–**	**–**	**–**
Adjusted balance at 1 January 2018		**1,268,914**	**363,029**	**183,338**	**–**	**12,555**	**7,840**	**(23)**	**28,805**	**(1,826)**	**1,862,632**
Changes in equity for the six months ended 30 June 2018:											
Loss for the period		**–**	**(139,863)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(139,863)**
Other comprehensive income	*6*	**–**	**–**	**–**	**–**	**(23,567)**	**(5,650)**	**(29)**	**–**	**–**	**(29,246)**
Total comprehensive income		**–**	**(139,863)**	**–**	**–**	**(23,567)**	**(5,650)**	**(29)**	**–**	**–**	**(169,109)**
Shares issued upon exercise of share option		**8,267**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,867)**	**–**	**5,400**
Equity settled share-based transactions		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,189**	**–**	**7,189**
Balance at 30 June 2018		**1,277,181**	**223,166**	**183,338**	**–**	**(11,012)**	**2,190**	**(52)**	**33,127**	**(1,826)**	**1,706,112**

	Note	Attributable to equity shareholders of the Company									
		Share capital	Retained profits	Revaluation reserve	Available-for-sale investment fair value reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Exchange reserve	Capital reserve	Other reserve	Total equity
		HK$'000	*HK$'000*	*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 the six months ended 30 June 2017:											
Loss for the period		–	(96,204)	–	–	–	–	–	–	–	(96,204)
Other comprehensive income	*6*	–	–	–	15,754	–	–	39	–	–	15,793
Total comprehensive income		–	(96,204)	–	15,754	–	–	39	–	–	(80,411)
Equity settled share-based transactions		–	–	–	–	–	–	–	6,917	–	6,917
Balance at 30 June 2017		1,268,914	492,003	159,759	(2,656)	–	–	58	6,917	(1,826)	1,923,169

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

BUSINESS REVIEW

Continuing our direction on O2O convergence brought from 2017, in 2018, we devoted most of our resources in new customer acquisition and expansion of fulfilment capacity to sustain continuous business growth. On new customer acquisition, during the six months ended 30 June 2018 ("1H2018"), we expanded HKTVmall's penetration to reach different customer segments:

1. O2O shop expansion to reach customers with order pick-up preference

As a result of the encouraging business performance of the first 15 O2O shops opened in late 2016 and 2017, our experiment of using a small 400–500 square feet physical shop for O2O convergence has proved to be successful. The shop presence not only serves for brand marketing and education purpose, more important, it allows us to reach a group of customers who are not always able to enjoy the door-to-door delivery service. Our O2O shops are the convenient pick up points for them and without these shops, we would never be able to reach this group of customers. Hence, in 1H2018, we aggressively expanded our presence to broader geographical locations from 15 O2O shops in December 2017 to 24 by June 2018 with 10 plus to open soon in the second half of 2018. By the end of 2018, we are expecting there will be about 35 O2O shops servicing customers at different geographic areas in Hong Kong.

2. Traditional terrestrial TV exposure to reach non-digital customers

We launched our eCommerce business in February 2015 with the aim to become the largest online marketplace in Hong Kong. The quickest way is to build our customer foundation through online digital advertising as it allows us to reach the most online adaptive consumer group directly. And indeed, we successfully built a unique customer base of 477,000 who have made purchase on HKTVmall and/or HoKoBuy platforms during 2017. With this solid base, in 2018, we shifted some of our resources to the traditional advertising platform — Terrestrial TV targeting for a different consumer group who may or may not has frequent exposure to the online digital world. We invited Ms. DoDo Cheng, an outstanding actress and celebrity in Hong Kong featuring a series of TV commercials on meat set including Wagyu beef, and electronics offering at HKTVmall. The first series of the meat set promotion started to broadcast in late May 2018, and in slightly more than a month's time, we sold more than 41,000 sets meat sets. By the time this announcement being published, another series should have been launched for the Wagyu beef. Stay tune!

3. **Partnership with Tier one banks to reach their credit card or payment customer base**

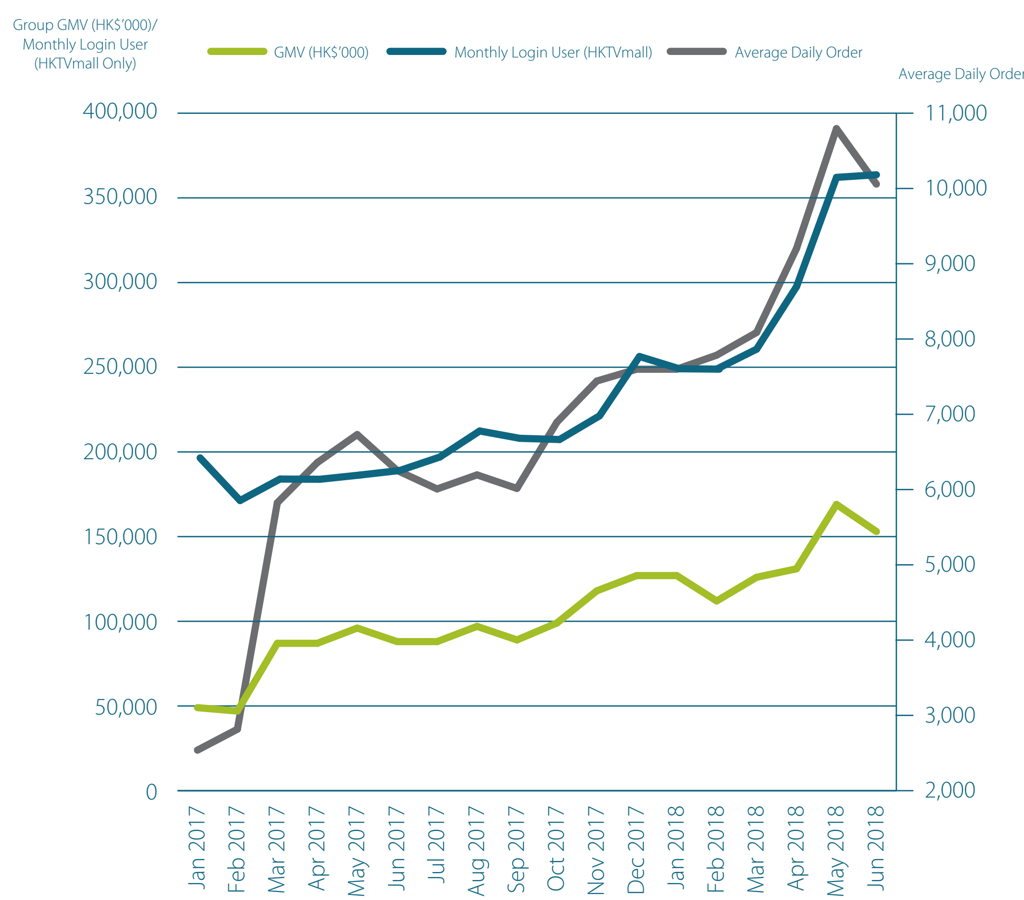
   In September 2017, Hong Kong Monetary Authority announced 7 initiatives for the banking sector in order to lead Hong Kong to a new era of smart banking. Embraced by our strong technical background, these initiatives have opened up various TechFin opportunities to us to enrich our customer experiences and also to extend our platforms to different customer database. One of the initiatives is to widen the adoption of open Application Programming Interface ("API") by the banking sector. We are the first API partner of Citibank Hong Kong by integrating its Citi Pay with Points service to our online platform — HKTVmall. The service was launched in April 2018 which enables credit cardholders of Citibank points-bearing credit cards who shop at HKTVmall to offset purchases upon check out using their rewards points seamlessly without ever leaving the shopping platform.

   To further enhance our customers' payment experience, in June 2018, we partnered with HSBC to bring their PayMe, a prominent peer-to-peer social payment APP in Hong Kong, to HKTVmall APP. This is the first adoption of Payme for payments between consumers and merchants. Going forward, we shall continue to adopt innovation and technologies to bring consumers' every aspect in live into a single platform — HKTVmall.

On order fulfilment perspective, aiming to reach profit and loss breakeven and to cope with growing demand from consumers, we continue to expand our logistics and warehousing facilities. The first phase of the robotic system for automated picking and storage functions has been fully launched in March 2018, which we are now having a picking and packing capacity up to 10,000 orders. The second phase of the robotic system at the Tseung Kwan O headquarter is in the process of installation, which is estimated to be completed in or before Q1 2019. After finishing the commissioning and trial run, our picking and packing capacity is estimated to be around 20,000 orders. While for the third phase, together with the system installation, commissioning and trial run processes, we expect there will be certain delay due to the finalisation of the structural design and related regulatory clearance process. The current estimation for the launch of the third phase will be on or before Q1 2020. By then, our picking and packing capacity is estimated to be more than 30,000 orders subject to different system settings and operational flow design.

Nevertheless, we consider our continuous business growth will not be hindered by the delay as our business model is not only supported by our inventory or consignment inventory from merchant which require to use our picking and packing resources. Our business is also supported by the picked and packed products ready by thousands of merchants, e-voucher and merchant direct delivery models which do not require our picking and packing process and in fact, contributed to approximately 60% of GMV on order intake in 1H2018. Moreover, about 76% of GMV on order intake in 1H2018 utilised our fulfilment resources including logistic service and/or warehousing, picking and packing resources, subject to different merchant business model. To support the continued business growth, we need to strengthen our logistic capacity by continuing to expand our delivery car fleet. We have more than 200 delivery trucks in operation now, with another 50 plus cold trucks and standard 5.5 tons trucks to be delivered during Q3 2018. In the meantime, we have developed long term partnership with certain sizeable logistic companies which can add flexibility, scalability and cost efficiency to cope with the upsurge in order intake, in particular, due to promotional and seasonal factors.

While we continue to expand our customer base and fulfilment resources to prepare for the long term business growth, we delivered satisfactory results in 1H2018 — we achieved a substantial growth in GMV on order intake reaching HK$816.7 million, representing 76% of what we achieved in FY2017 and a growth of about 80% relative to the six months ended 30 June 2017 ("1H2017") at HK$453.8 million. On average daily order intake, it increased to 8,900 orders in 1H2018 versus 5,100 orders in 1H2017 and on average order value, it increased to HK$505 in 1H2018 versus HK$491 in 1H2017. The growing order value was due to the increased proportion on Beauty and Health, Electrical Appliances and Houseware products which were partially contributed by the collaboration effect brought by the recurring supermarket and groceries products. On HKTVmall, we carry over 177,000 products[4] and among this, we have close to 40,000 items for supermarket and groceries category. During 1H2018, this category contributed to about 40% of GMV on order intake, with Electrical Appliances being the second and Beauty and Health ranked the third. The sustainable recurring business from supermarket and groceries has formed a solid foundation for the growth of other product categories. Taking June 2018 as an example, among those who bought supermarket products from us, almost 40% bought Beauty and Health products and about 24% bought Electrical Appliance or Houseware products in the same order. We are building an online shopping habit on our customer base, and more encouraging is our average daily order intake has exceeded 10,000 orders since May 2018. Below is an abstract of the past 18 months' performance since January 2017, which clearly demonstrates our strong growth momentum over the period.



[4]*Source: HKTVmall as at 15 August 2018*

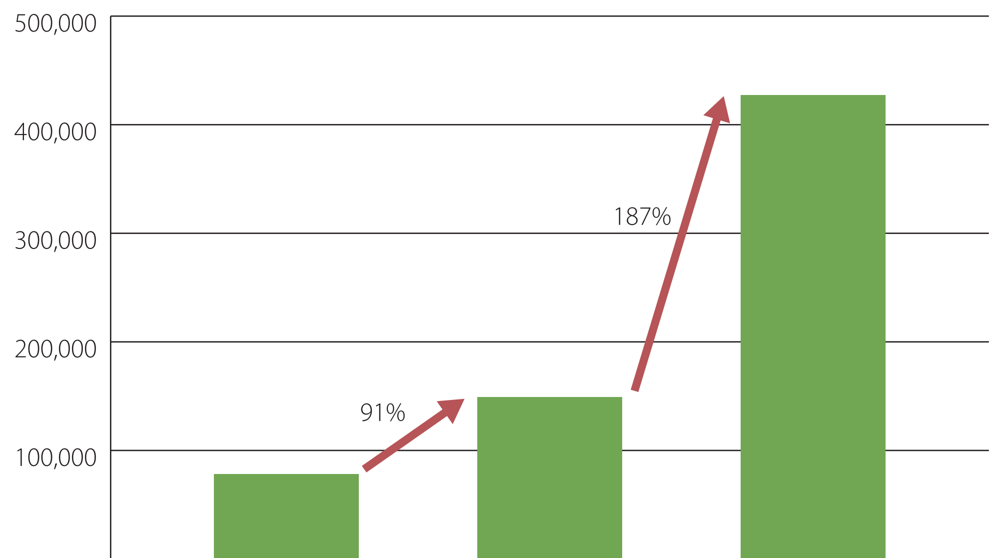
Apart from the top line and order growth, we also managed to have a decent growth on the gross margin and commission income as shown at the below table. On direct merchandise sales, its gross margin increased from 15.9% at 1H2017 to 19.5% at 1H2018 benefited from the increasing volume discount or rebates due to growing purchasing power on inventory. On income from concessionaire sales and other service income, the blended commission rate for 1H2018 is 18.0%, a slight decrease from 20.1% in 1H2017 was mainly due to the higher proportion of GMV on completed orders from Electrical Appliances (increased by 222.2% from 1H2017) which has a lower commission rate than other product categories.

	Six months ended 30 June 2018 *HK$'000*	Six months ended 30 June 2017 *HK$'000*
Direct merchandise sales		
GMV on completed orders[5]	**297,165**	148,181
Cost of Inventories	**(239,139)**	(124,556)
	58,026	23,625
Gross margin %	**19.5%**	15.9%
Income from concessionaire sales and other service income		
GMV on completed orders	**482,987**	271,769
Merchant payments (net off by other service income)	**(396,088)**	(217,108)
	86,899	54,661
Blended commission rate	**18.0%**	20.1%

[5] *GMV on completed order represents the total gross sales dollar value for merchandise sold through a particular marketplace and the customer has obtained control of the promised goods and services ordered over a certain time frame, after deduction of any discounts offered by the marketplace, relevant rebate used, cancellation and returns of merchandise.*

On combined basis of HKTVmall and HoKoBuy, we also had a remarkable expansion on our customer base as below. Relative to 1H2017, there was a 187% growth in combined unique customers in 1H2018.

Combined Unique Customers



	1H2016	1H2017	1H2018
Combined Unique Customers (rounded to the nearest thousand)	78,000	149,000	427,000

Overall, in 1H2018, we continued our growth momentum in GMV, number of orders and customer base. While we still need time to reach breakeven status, we shall keep on solidifying our foundation for coming monetisation.

Apart from operating online shopping business under HKTVmall and HoKoBuy, during the period under review, the Company continues its business including 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.

On 27 March 2018, the Company informed the Communication Authority ("the Authority") that the Company would not continue to pursue the application for a domestic free television programme service licence, and that its application submitted to the Authority on 11 April 2014 has been withdrawn. The Group has also surrendered the Unified Carrier Licence (No. 041) together with the radio spectrum of 678–686 MHz to the Authority and ceased the provision of the broadcast-type mobile TV service.

FINANCIAL REVIEW

During the period under review, the Company mainly operated its Multimedia Business including the eCommerce online shopping and delivery services, provision of digital solutions including content production and digital advertising, and corporate functions.

Embraced by the growing average daily order numbers and average order value, the Group had a substantial increase in turnover from HK$203.9 million in 1H2017 to HK$388.6 million in 1H2018, an increment by 90.6% and represented about 80% of what we have achieved for the full year ended 31 December 2017. Turnover mainly composed of HK$297.2 million from direct merchandise sales (1H2017: HK$148.2 million), HK$86.9 million from income from concessionaire sales and other service income (1H2017: HK$54.7 million), HK$4.5 million from licensing of programme rights and net advertising income (1H2017: HK$1.0 million).

In line with the 100.5% growth in direct merchandise sales in 1H2018, the cost of inventories also increased from HK$124.6 million in 1H2017 to HK$239.1 million in 1H2018, an increase by 91.9%. The volume discount benefit brought by the increasing purchasing power has continued to kick in to improve the margin on the direct merchandise sales and enabled a larger room for sales promotion.

Other operating expenses increased by HK$88.6 million to HK$336.3 million for 1H2018 relative to the HK$247.7 million incurred for 1H2017:

1 Fulfilment costs of HK$148.4 million which attributed to 44% of the other operating expenses, represented an increase by HK$39.7 million versus 1H2017, mainly due to the increase in headcount for logistic function to cope with the increase in order intake during the period (1H2018: 1.6 million versus 1H2017: 0.9 million) and the additional outsourced manpower required before the launch of the first phase automated picking and storage system during March 2018.

2 Marketing, promotional and O2O shop operating expenses of HK$47.1 million in 1H2018 mainly included the customer acquisition costs, advertising expenses on terrestrial TV commercials, digital advertising, product catalogues, O2O shop operating costs, etc. and all related talent costs. Relative to 1H2017, there was an increase of HK$22.4 million mainly due to aggressive new customer acquisition programmes launched during the period, such as the $99 premium meat set promotion on which a series of TV commercials was launched to support the programme, member-get-member promotional codes, distribution and utilisation of free cash coupons for different seasonal or event campaign, etc. Moreover, the expansion of O2O shops from 2 in 1H2017 to 24 in 1H2018 was another major reason for the increase in expenses.

3 Ecommerce operation and supporting costs of HK$92.0 million including merchant relations and acquisition, customer service, information technology, other supporting functions. Relative to 1H2017, there was an increase of HK$12.8 million mainly due to acquisition of HoKoBuy in March 2017 which full 6 months' talent costs was accounted for in the current period, increase in payment processing charge in line with the growth in GMV and increase in operating cost for customer service functions.

4 Non-cash items including depreciation on property, plant and equipment, amortisation of intangible assets and equity settled share-based payment of HK$48.8 million in 1H2018, an increase of HK$13.7 million versus 1H2017. Increase was mainly caused by HK$9.1 million increase in depreciation mainly due to the completion of the construction for the new headquarter at HKTV Multimedia and Ecommerce Centre starting for depreciation since April 2017, and the renovation, furniture and equipment cost for this new headquarter and the new O2O shops.

During 1H2018, the Group recognised a valuation gain on investment properties of HK$19.7 million based on the valuation carried out by an independent firm of surveyors, represented a decrease of HK$4.2 million relative to HK$23.9 million in 1H2017.

Other income, net, of HK$30.0 million was earned in 1H2018 (1H2017: HK$48.8 million), mainly composed of investment income generated from other financial assets, unrealised fair value loss on units in investment funds measured at FVPL, bank interest income, rental income from investment properties and net exchange gain. The decrease of HK$18.8 million was mainly caused by the decrease in net exchange gain by HK$9.4 million due to depreciation of RMB and Euro during the period under review, the unrealised fair value loss on units in investment funds measured at FVPL amount of HK$7.9 million and the decrease in investment returns by HK$8.3 million caused by the realisation of a portion of the investment portfolio to support the capital expenditures and operating activities of the Group, which partially offset by the increase in rentals from investment properties by HK$4.9 million and a reversal of expected credit losses on debt securities measured at FVOCI amount of HK$0.5 million.

Finance costs, net increased by HK$1.7 million mainly due to the increase in market interest rates during 1H2018 relative to 1H2017.

Overall, the Group incurred a loss of HK$139.9 million for the six months ended 30 June 2018, an increase of HK$43.7 million from a loss of HK$96.2 million for 1H2017. If excluding interest on bank loans, income tax expenses/credit, depreciation, amortisation of intangible assets, investment returns and major non-cash items ("Adjusted EBITDA"), the Group incurred an Adjusted EBITDA loss of HK$128.4 million in 1H2018 versus loss of HK$126.1 million in 1H2017.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2018, the Group had total cash position of HK$87.3 million represented cash at bank and in hand (31 December 2017: HK$100.2 million) and outstanding borrowings of HK$274.1 million (31 December 2017: HK$219.6 million) drawn mainly for investment yield enhancement purpose. The decrease in total cash position was mainly due to purchases and deposits paid for property, plant and equipment of HK$77.5 million, and the resources utilised for operating activities of HK$134.0 million partially net off by the net realisation from investment portfolio of HK$118.1 million, net investment income received of HK$20.7 million, net bank loan borrowing of HK$54.4 million and proceeds from issuance of new shares of HK$5.4 million from exercise of share options.

On investment in other financial assets, the Group has invested, at fair value, of HK$723.1 million as at 30 June 2018 (as at 31 December 2017: HK$876.2 million). The decrease in investment in other financial assets was mainly due to the use of certain matured debt securities to fund the capital expenditure and operating activities. As at 30 June 2018, there was a net deficit of HK$8.8 million being recorded in Fair Value Reserve (non-recycling and recycling) (31 December 2017: a revaluation surplus of HK$0.1 million) after reclassification of HK$20.3 million to retained profits, the total fair value change on equity instruments designated at FVOCI and debt securities measured at FVOCI of HK$29.2 million, due to the adoption of HKFRS 9 in 1H2018. During the period under review, the total fair value change on other financial assets amounted to HK$37.2 million, in which HK$7.9 million, HK$23.6 million and HK$5.7 million was recorded in profit or loss, fair value reserve (recycling) and fair value reserve (non-recycling) respectively.

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its surplus cash assets. The criteria for selection of investments include the relative risk profile involved, the liquidity of an investment, the after tax equivalent yield of an investment and, not speculative in nature. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities, such as investment grade products, constituent stocks of defined world indices or state owned or controlled companies. Investment in fixed income products are structured in different maturity profile to cope with 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 30 June 2018, the Group has utilised HK$274.1 million (31 December 2017: HK$219.6 million) uncommitted banking facilities mainly for investment purpose, leaving HK$1,107.9 million (31 December 2017: HK$957.4 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 30 June 2018 and 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.

The debt maturity profiles of the Group as of 30 June 2018 and 31 December 2017 were as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Repayable within one year	**274,058**	219,623

As at 30 June 2018, our outstanding borrowings bore fixed interest rate and denominated in Hong Kong dollars. After considering the cash at bank and in hand and term deposits, if any, held by the Group, the gearing ratio of the Group as of 30 June 2018 was 0.11 times (31 December 2017: 0.06 times). 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.

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Net Debt *(note (a))*	**186,711**	119,424
Net Asset	**1,706,112**	1,862,632
Gearing (times)	**0.11**	0.06

Note (a):

Total bank borrowing net of cash at bank and in hand and term deposits, if any.

During 1H2018, the Group invested HK$77.5 million on capital expenditure included deposits paid versus HK$112.6 million in 1H2017. The capital expenditure for 1H2018 was mainly incurred for new shops opening, renovation for fulfilment centre and system capacity expansion. 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 continued business expansion.

Charge on Group Assets

As of 30 June 2018, the Group's bank loans of HK$274.1 million (31 December 2017: HK$219.6 million) were secured by an equivalent amount of other financial assets held by various banks. Moreover, As of 30 June 2018 and 31 December 2017, 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.

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 30 June 2018 and 31 December 2017, the Group had no material contingent liabilities or off-balance sheet obligations.

PROSPECTS

This is our 4th interim results since the launch of the eCommerce business in February 2015. We started from scratch and built every process from end-to-end by ourselves. We started from zero product offering to over 177,000 products at HKTVmall and HoKoBuy, from zero orders to over 10,000 average daily orders, from zero GMV to the annualised over HK$1.83 billion (derived from annualised the GMV on order intake of June 2018). We gradually bring Hong Kong people's daily life into our single online ecosystem. To make our ecosystem more complete to take care of our customers' every aspect in life, we are in full force to partner with merchants from different industries so as to enrich our product spectrum. Financial products, such as general insurance (including travel, home, motor, personal accident, medical, critical illness, overseas study, domestic helper) and life insurance products (including term life), personal loan, credit card application, etc. are under the pipeline.

Apart from widening our product offering, we also plan ahead for the profit and loss breakeven so as to reach the profitable stage. We run the eCommerce business with our gross margin and commission income to cover 4 stages before reaching the breakeven stage:

Stage 1: Order fulfilment costs, including warehousing, pick and pack, and logistic functions
Stage 2: Online shopping mall operation costs, including buyers and merchant relations, marketing and promotion, O2O shop operation, customer acquisition and customer service
Stage 3: Supporting functions, including finance, legal, administration and talent management
Stage 4: Research and development, including information technology and application development

Stage 1 is primarily variable to the business growth and is the key contributing factor to reach the profit and loss breakeven, while for Stage 2–4, to certain extent, are primarily in fixed cost nature.

We always mention end-to-end eCommerce business is a volume game — we need to build a strong fundamental matrix including a wide range of products for customer selection, mass scale visitor traffic and customer base, scalable automated picking, packing and storage system and logistic capacity, etc.. With all these parameters, we can then cope with up-surging order intake, reach profit and loss breakeven and start earning profit.

With consistent and persistent growth in our customer base and average daily order number in the past 18 months, and aided by the launch of the first phase automated system in March 2018, we are lowering the fulfilment costs, on completed order basis (including e-coupon and merchant direct delivery orders), the average fulfilment costs per order decreased significantly from HK$107 in 2017 to HK$84 in Q2 2018. We start to be benefited by the volume game and has passed Stage 1 in May and June 2018. We expect we will gradually improve our gross margin and commission rate from Q4 2018 onward and, subject to the efficiency level of different functions and the market competition condition, will be able to reach the breakeven stage in the next 2–3 years' time.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 17 August 2018, the Company, as the seller, entered into a Memorandum of Understanding with HKBN Group Limited (a wholly-owned subsidiary of HKBN Limited) as the buyer, pursuant to which and subject to the terms and conditions of the sale and purchase agreement, the Company proposes to sell or procure the sale of, and the Buyer proposes to acquire, the entire issued share capital of Cosmo True Limited ("Cosmo True"), a wholly owned subsidiary of the Company, at a consideration of HK$328,281,166, which is to be adjusted on zero debt, zero cash basis based on the completion accounts of Cosmo True ("Proposed Disposal"). Cosmo True is principally engaged in the holding and leasing of real properties in Hong Kong. The Company will conduct a restructuring prior to the completion of the Proposed Disposal to transfer certain owned properties, and assets and liabilities not related to the remaining properties which would be continued to be held by Cosmo True, to the other wholly-owned subsidiaries of the Company. Upon completion of the Proposed Disposal,

1. the Company will cease to hold any shares in Cosmo True and Cosmo True will cease to be a wholly-owned subsidiary of the Company.

2. it is estimated that the Company would realise a gain on the Proposed Disposal of approximately HK$160,600,000 (before considering transaction costs), which is calculated by reference to the latest management accounts of Cosmo True as at 30 June 2018 and mainly adjusted by the estimated financial effect from the completion of the restructuring mentioned above, repayment of a shareholder loan to the Company and the intercompany balances of Cosmo True, and distribution of remaining cash to the Company.

TALENT REMUNERATION

Including the directors of the Company, as at 30 June 2018, the Company had 902 permanent full-time employees versus 825 as of 31 December 2017. The increase was mainly for order fulfilment and O2O shop operations.

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 scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2018, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of 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 to 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 six months ended 30 June 2018.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim results of the Company for the six months ended 30 June 2018.

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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

Hong Kong, 30 August 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.