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 2017

- HKTV has delivered encouraging results for the six months ended 30 June 2017 ("1H2017"), which has strengthened its growth momentum on the online shopping business.

    - In March 2017, the Group completed the acquisition of Groupon Hong Kong operation which has become our 100% wholly owned subsidiary. Its financials are fully accounted for in the 1H2017 results after the completion of acquisition. The business was re-branded as "HoKoBuy" subsequently and this brand new online shopping platform was officially released to the market on 28 June 2017;

    - Total Gross Merchandise Value ("GMV") on order intake from HKTVmall and HoKoBuy has increased by approximately 270% relative to the six months ended 30 June 2016 ("1H2016"); by annualizing the GMV for the month of June 2017, the Group is building an online shopping business beyond HK$1 billion GMV per annum;

    - At HKTVmall, average daily order intake increased from about 1,300 in January 2016 to over 3,600 in June 2017, while at HoKoBuy, the average daily order number since the completion of acquisition to 30 June 2017 was more than 3,500 orders.

- Embraced by the aggressive growth in average daily order number and the contribution from HoKoBuy, the Group's turnover increased by 200% to HK$203.9 million for 1H2017 relative to 1H2016 at HK$67.8 million.

- Reduced net loss to HK$96.2 million for 1H2017, an improvement of HK$29.6 million from net loss of HK$125.8 million for 1H2016.

- Maintain strong financial position with investment in available-for-sale securities, cash at bank and in hand, net of bank loans, total of HK$911.6 million (31 December 2016: HK$1,043.7 million).

- Accelerate the O2O concept store expansion plan, the Group is making full effort to add to 20–30 stores by the end of 2017 targeting to replicate the success of existing stores at North Point and South Horizons to other areas in Hong Kong.

- As at the date of this announcement, the construction and renovation work of our new premises at Tsueng Kwan O Industrial Estate is completed, and officially named as "HKTV Multimedia and Ecommerce Centre". Both HKTVmall and HoKoBuy offices have been co-located to this new premises in mid-August 2017 which represents a new chapter of development for HKTV.

- The Group shall conduct a strategic review on the Mobile TV and Free TV business on its commercial viability, sustainability and the expected return to our shareholders, and shall provide an update to our stakeholders in the next few months in 2017 when we have a clear direction on the media business.

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 2017 and the consolidated statement of financial position as at 30 June 2017 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 2017 (Expressed in Hong Kong dollars)

		Six months ended	
	Notes	**30 June 2017** *HK$'000*	30 June 2016 *HK$'000*
Turnover	3	**203,905**	67,855
Cost of inventories		**(124,556)**	(55,932)
Valuation gains/(losses) on investment properties		**23,900**	(4,000)
Other operating expenses		**(247,657)**	(180,237)
Other income, net	4	**48,787**	46,856
Finance costs	5(a)	**(782)**	(262)
Loss before taxation	5	**(96,403)**	(125,720)
Income tax credit/(expense)	7	**199**	(43)
Loss for the period		**(96,204)**	(125,763)
Basic and diluted loss per share	9	**HK (11.9) cent**	HK (15.5) cent

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017 (Expressed in Hong Kong dollars)

		Six months ended	
		30 June	30 June
	Notes	**2017**	2016
		HK$'000	*HK$'000*
Loss for the period		**(96,204)**	(125,763)
Other comprehensive income	6		
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of an overseas subsidiary		**39**	(101)
Available-for-sale securities: net movement in fair value reserve		**15,754**	12,754
Other comprehensive income		**15,793**	12,653
Total comprehensive income for the period		**(80,411)**	(113,110)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (Expressed in Hong Kong dollars)

	Notes	**30 June 2017** *HK$'000*	31 December 2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,030,904**	917,048
Intangible assets		**109,269**	112,248
Long-term receivables and prepayments		**14,131**	8,209
Other financial assets	10	**724,580**	828,019
		1,878,884	1,865,524
Current assets			
Other receivables, deposits and prepayments		**53,580**	39,201
Tax recoverable		**1,103**	–
Inventories		**19,107**	17,833
Other current financial assets	10	**221,527**	355,406
Cash at bank and in hand		**58,813**	44,397
		354,130	456,837
Current liabilities			
Accounts payable	11	**57,321**	22,714
Other payables and accrued charges		**154,074**	115,942
Deposits received		**4,286**	1,905
Bank loans		**93,370**	184,144
		309,051	324,705
Net current assets		**45,079**	132,132
Total assets less current liabilities		**1,923,963**	1,997,656
Non-current liabilities			
Deferred tax liabilities		**794**	993
NET ASSETS		**1,923,169**	1,996,663
CAPITAL AND RESERVES	12		
Share capital		**1,268,914**	1,268,914
Reserves		**654,255**	727,749
TOTAL EQUITY		**1,923,169**	1,996,663

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 18 August 2017.

This unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of 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 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for 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 2016 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 2016 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

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

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

3 TURNOVER AND SEGMENT INFORMATION

Turnover

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

Turnover mainly includes direct merchandise sales and income from concessionaire sales and other service income.

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 2017	30 June 2016
	HK$'000	*HK$'000*
Bank interest income	**34**	602
Dividend income from available-for-sale equity securities	**243**	286
Interest income from available-for-sale debt securities	**27,389**	36,978
Gain on disposal of available-for-sale securities	**1,744**	1,765
Rentals from investment properties	**6,362**	5,714
Net exchange gain/(loss)	**12,111**	(490)
Others	**904**	2,001
	48,787	46,856

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June 2017 HK$'000	30 June 2016 HK$'000
(a) Finance costs		
Interest on bank loans	**656**	162
Bank charges	**126**	100
	782	262

	Six months ended 30 June 2017 HK$'000	30 June 2016 HK$'000
(b) Other items		
Advertising and marketing expenses	**13,499**	15,765
Depreciation	**21,596**	17,428
Amortisation of intangible assets	**6,516**	6,538
Loss on disposal of property, plant and equipment	**13**	44
Operating lease charges in respect of land and building	**19,789**	9,922
Acquisition-related costs incurred in business combination	**1,068**	–
(c) Talent costs		
Wages and salaries	**104,046**	86,156
Retirement benefit costs – defined contribution plans	**3,749**	3,890
Equity settled share-based payment expenses	**6,917**	–
	114,712	90,046

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 2017			30 June 2016		
	Before-tax amount *HK$'000*	**Tax expense** *HK$'000*	**Net-of-tax amount** *HK$'000*	Before-tax amount *HK$'000*	Tax expense *HK$'000*	Net-of-tax amount *HK$'000*
Exchange difference on translation of financial statements of an overseas subsidiary	**39**	**–**	**39**	(101)	–	(101)
Available-for-sale securities: net movement in fair value reserve	**15,754**	**–**	**15,754**	12,754	–	12,754
Other comprehensive income	**15,793**	**–**	**15,793**	12,653	–	12,653

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

	Six months ended	
	30 June 2017 *HK$'000*	30 June 2016 *HK$'000*
Available-for-sale securities: net movement in fair value reserve		
– Changes in fair value recognised during the period	**17,498**	14,519
– Reclassified to profit or loss upon disposal	**(1,744)**	(1,765)
	15,754	12,754

7 INCOME TAX (CREDIT)/EXPENSE

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% (2016: 16.5%) to the six months ended 30 June 2017.

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

	Six months ended	
	30 June 2017 *HK$'000*	30 June 2016 *HK$'000*
Current taxation		
Hong Kong Profits Tax	**–**	–
Deferred taxation		
Origination and reversal of temporary differences	**(199)**	43
	(199)	43

8 DIVIDENDS

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2017. No final dividend was declared for the year ended 31 December 2016.

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of HK$96,204,000 (six months ended 30 June 2016: HK$125,763,000) and the weighted average of 809,017,000 ordinary shares (six months ended 30 June 2016: 809,017,000 shares) in issue during the six months ended 30 June 2017.

The diluted loss per share for the six months ended 30 June 2017 is the same as the basic loss per share, as the Group's share options would result in an anti-dilutive effect on loss per share. The diluted loss per share for the six months ended 30 June 2016 is the same as the basic loss per share, as no potential dilutive ordinary shares were outstanding during the period.

10 OTHER FINANCIAL ASSETS

	30 June 2017 *HK$'000*	31 December 2016 *HK$'000*
Available-for-sale debt securities		
– Maturity dates within 1 year	**221,527**	355,406
– Maturity dates over 1 year	**679,589**	788,310
	901,116	1,143,716
Available-for-sale equity securities		
– Listed	**31,838**	28,538
– Unlisted	**13,153**	11,171
	44,991	39,709
	946,107	1,183,425

All of these financial assets were carried at fair value as at 30 June 2017 and 31 December 2016.

11 ACCOUNTS PAYABLE

The aging analysis of the accounts payable is analysed as follows:

	30 June 2017 *HK$'000*	31 December 2016 *HK$'000*
Current – 30 days	**46,806**	18,985
31–60 days	**712**	766
61–90 days	**163**	220
Over 90 days	**9,640**	2,743
	57,321	22,714

12 CAPITAL AND RESERVES

	Note	Share capital HK$'000	Retained profits HK$'000	Revaluation reserve HK$'000	Fair value reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Total HK$'000
		Attributable to equity shareholders of the Company						
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**	**5,091**	**1,923,169**
Balance at 1 January 2016		1,268,914	845,323	159,759	(33,552)	(1)	(1,826)	2,238,617
Changes in equity for the six months ended 30 June 2016:								
Loss for the period		–	(125,763)	–	–	–	–	(125,763)
Other comprehensive income	6	–	–	–	12,754	(101)	–	12,653
Total comprehensive income		–	(125,763)	–	12,754	(101)	–	(113,110)
Balance at 30 June 2016		1,268,914	719,560	159,759	(20,798)	(102)	(1,826)	2,125,507

13 BUSINESS COMBINATION

Acquisition of a subsidiary

On 20 February 2017, Talent Ascent Limited ("Talent Ascent"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement ("Agreement") with Groupon, Inc. and Groupon Holdings B.V., an indirectly wholly owned subsidiary of Groupon Inc. ("Groupon"), to acquire 100% of the issued share capital of HoKoBuy Limited (formerly known as Shift Media Group Limited) ("HoKoBuy"), at an initial consideration of US$0.67 million (equivalent to approximately HK$5.21 million) in cash, which was subsequently adjusted for the net working capital to US$0.27 million (equivalent to HK$2.07 million) as at the date of completion (the "Transaction"), as defined in the Agreement. The Transaction was completed on 3 March 2017 and Talent Ascent entered into a Master Transition Services and License Agreement with HoKoBuy and Groupon pursuant to which Groupon will provide or cause to provide to HoKoBuy (a) a limited and temporary license to access to certain systems, application tools, and trademarks, and (b) other support services, including merchant payment and customer support for a period of 6 to 12 months from the effective date of the Master Transition Services and License Agreement.

The financial results of the Group as of and for the six months ended 30 June 2017 include HoKoBuy's financial results from 4 March 2017 through 30 June 2017. HoKoBuy contributed HK$22 million of revenue and incurred net loss of HK$1.6 million (excluding transaction costs used for the acquisition) to the consolidated financial results of the Group for the six months ended 30 June 2017.

If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been HK$215 million, and consolidated loss for the period would have been HK$99 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

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

	Acquiree's provisional fair value at acquisition date
	HK$'000
Property, plant and equipment	296
Intangible asset	3,537
Trade and other receivables	10,353
Cash and bank balances	13,110
Trade and other payables	(25,228)
Net identifiable assets acquired and satisfied by cash consideration	2,068

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

The acquired intangible asset is comprised of customer relationship and is determined on a provisional basis as the Group is in the process of completing the identification of separable intangible assets and the independent valuation to assess the provisional fair value of the identifiable assets acquired. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

BUSINESS REVIEW

2017 is expected to be a year full of new developments and growth momentum. During the first six months of 2017, a few key decisions were made to bring the Group being the largest online shopping mall in Hong Kong – a platform integrates entertainment and one-stop online shopping and delivery to people in Hong Kong.

In the fourth quarter of 2016, we started the experiment on O2O concept store aiming to use a 400–500 square feet store to serve customers better than a 20,000 square feet retailer by converting offline traffic to online traffic. Two stores were opened in North Point and South Horizons in October 2016 and late January 2017, different sales and promotional formats were tested in the stores, such as free gift box distribution, regular distribution of product catalogue, weekly theme promotion, etc., to find the right mix of pillars for different geographical locations so as to accelerate the regional sales performance. The past few months' results were encouraging and we noticed the opening of the concept store not only increased the order intake of the surrounding area, the order pick-up service is also getting popular to suit different customer delivery needs. Essentially, O2O concept store is an effective marketing tool to increase HKTVmall's awareness in the neighbourhood and gradually becoming top of the mind when the consumers want to purchase anything! This result has strengthened our confidence on the upcoming O2O store expansion plan.

In early March 2017, we completed the acquisition of Groupon Hong Kong operation. Since then, we have worked with the prevailing management team to re-energize the business engine in the e-voucher market. In the meantime, we re-branded Groupon Hong Kong to "HoKoBuy" and this brand new online shopping platform was officially released on 28 June 2017. We are working aggressively on the customer conversion from the previous Groupon website and apps to HoKoBuy website and apps. Various collaborations have been executed between HKTVmall and HoKoBuy in the past few months, for example to bring over the deals selling at the Hot Deal Street of HKTVmall to HoKoBuy platform, and vice versa. Our primary goal is to elevate customers' living quality by offering thousands of quality deals, ranging from dining, shopping to experiences and travel. We want to ensure that their daily needs can be fully satisfied at HKTVmall and HoKoBuy, at a reasonable price with an incredible experience.

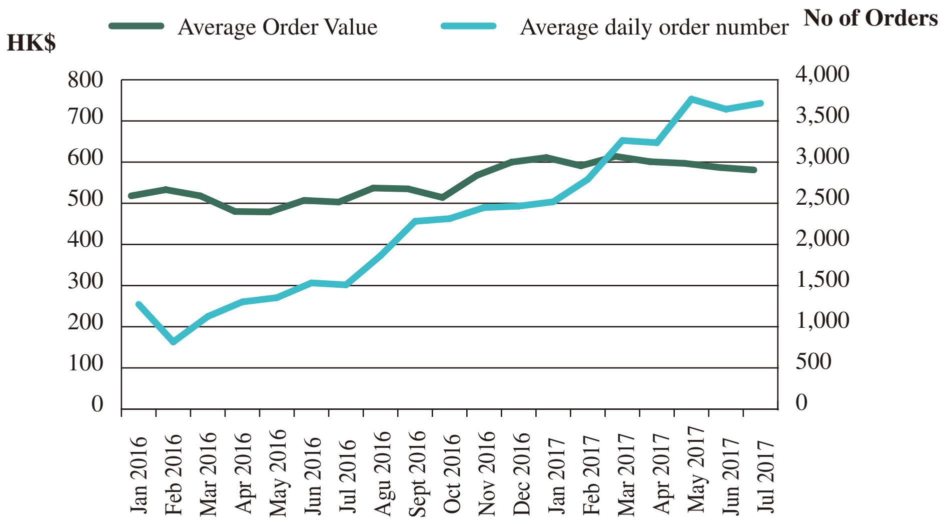
From April 2017 onward, at HKTVmall, we have worked with selective merchants and launched a "Clickstarter" campaign riding on "group-buy" mechanism. This campaign is updated weekly by selecting a list of products at bargain price. The price of each specific item under this campaign shall be lower by rebating different level of Mall Dollars subject to the number of items sold at the end of the weekly programme. More people buy each specific item, the price of it will be getting lower and lower. This programme has successfully driven business growth, in particular on electronics and household products.

The above are only certain key highlights during the period under review. With various efforts made so far, we have built a solid fundamental for long term sustainable growth:

1. Relative to 1H2016, our total Gross Merchandise Value ("GMV")[1] on order intake has increased by approximately 270%, mainly from the organic growth in HKTVmall plus the effect from the acquisition of HoKoBuy. For the month of June 2017, the GMV on order intake reached approximately HK$86.7 million relative to the month of June 2016 at HK$23.4 million. By annualising the June 2017 GMV, we are building a growing HK$1 billion GMV online shopping business per annum.

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

2. On HKTVmall, our average daily order number and average order value have a consistent track record during 1H2017. Below is a trend analysis for the monthly performance from January 2016 to the latest July 2017. For the month of July 2017, an average daily order number of about 3,700 was achieved which represented an impressive growth from about 1,300 orders in January 2016 to about 3,000 orders in the first half of March 2017.



On HoKoBuy, we completed the acquisition of the business in March 2017 and the online platform was still in the process to fully migrate from Groupon Hong Kong to HoKoBuy during the period under review. Having said that, the average daily order number after acquisition of HoKoBuy to 30 June 2017 was more than 3,500 orders.

3. On HKTVmall, we have 149,000 unique customers who have placed orders with HKTVmall during 1H2017, a substantial growth from 78,000 in 1H2016.

4. On HKTVmall, at the date of this announcement we have a wide product spectrum by carrying more than 160,000 products, a continued growth from 135,000 products since the last reporting date in March 2017. While on HoKoBuy platform, we are carrying about 1,800 live deals.

All these achievements have given us more confidence that we are in the right business with sustainable long term scalability. We are looking forward to monetarise from the growing orders and customer base.

Apart from operating online shopping business under HKTVmall and HoKoBuy, during the period under review, the Company continues its business including the offer of free television programming through its Over-The-Top (OTT) platform, international and local content distribution, provision of artiste management services and independent content production, while the TV programme production remains suspended. Nevertheless, we did not stop the multimedia production. Our online shopping business is much more than just a platform for bridging merchants and customers, it is a one-stop platform including multimedia marketplace, customer order placement, payment collection, logistics and warehousing facilities including door-to-door deliveries, post transaction customer services, and multimedia and digital production and marketing. The facilities for our multimedia and digital production are getting more complete after our relocation to the Tseung Kwan O new premises.

After a few months' design and renovation work, we finally relocated our headquarters to the new premises in August 2017 and we officially named the premises as HKTV Multimedia and Ecommerce Centre (the "Centre"). The Centre currently includes 4 studios, editing facilities, dubbing facilities, etc., together with our Hollywood movie grade production equipment shall provide a comprehensive production friendly environment for our multimedia production. Furthermore, in March 2017, we accepted the offer of Hong Kong Science and Technology Parks Corporation in relation to the application for an additional use to incorporate an Ecommerce Fulfilment Centre of 5,080 square meters subject to the payment of a consent fee of HK$62.1 million and the fulfilment of certain conditions. While we have paid the consent fee in July 2017, we are in the process of shortlisting the most appropriate structure and set-up for this new Ecommerce Fulfilment Centre, which we believe it shall facilitate the operational efficiency and the long term business sustainability.

FINANCIAL REVIEW

During the period under review, the Company mainly operated its Multimedia Business including the E-commerce online shopping and delivery services, OTT platform, and corporate functions.

The Group incurred a loss of HK$96.2 million for the six months ended 30 June 2017 ("1H2017"), a decrease of HK$29.6 million from HK$125.8 million for the same period of 2016 ("1H2016"). Overall, the decrease in loss for the period under review was mainly due to following:

1. Increase in turnover by HK$136.1 million to HK$203.9 million in 1H2017, partially net off by the increase in costs of inventories by HK$68.7 million to HK$124.6 million in 1H2017;

2. Increase in valuation gains on investment properties by HK$27.9 million to reach a gain of HK$23.9 million for 1H2017 (1H2016: loss of HK$4.0 million) based on the valuation carried out by an independent firm of surveyors; net off by

3. Increase in operating expenses by HK$67.5 million to HK$247.7 million mainly caused by the continued expansion on logistics and warehouse functions, the increase in talent costs and the inclusion of HoKoBuy's operating costs since the completion of acquisition in March 2017.

On turnover, the Group achieved HK$203.9 million for 1H2017 (1H2016: HK$67.8 million), an growth by 200% relative to 1H2016, which mainly composed of direct merchandise sales and income from concessionaire sales and other service income.

The substantial increase in turnover was due to the aggressive growth in average daily order number from about 1,300 in January 2016 to more than 3,600 in June 2017, with average order value increased from about HK$500 during 1H2016 to HK$600 during 1H2017. The increase in turnover was also included the contribution from a newly acquired subsidiary – HoKoBuy from 4 March 2017 onward.

Cost of inventories increased by HK$68.7 million to HK$124.6 million for 1H2017 (1H2016: HK$55.9 million) which was caused by the increase in direct merchandise sales. Given the increasing purchasing power, the volume discount benefit has brought in a higher margin to direct merchandise sales during the period under review.

Other operating expenses increased by HK$67.5 million to HK$247.7 million for 1H2017 relative to the HK$180.2 million incurred for 1H2016. The increase mainly due to the below items:

1. Talent costs increased by HK$24.7 million caused by the business scale up and the acquisition of HoKoBuy. The overall talent headcount increased by 146 talents to 727 as at 30 June 2017 which was mainly for logistics and warehouse operations, merchant relations and the acquisition of HoKoBuy;

2. Increase in logistics and warehouse operating costs caused by the expansion of logistics and warehouse center, owned car fleet and scalable sub-contracted labour resources to cope with business growth in order intake; and

3. Depreciation increased by HK$4.2 million mainly due to the completion of the Center and the start of depreciation from April 2017 onward.

Other income, net, of HK$48.8 million was earned in 1H2017 (1H2016: HK$46.9 million), mainly composed of investment income generated from available-for-sale securities, bank interest income, rental income from investment properties and net exchange gain. The increase of HK$1.9 million was mainly due to the increase in exchange gain caused by the appreciation of RMB and USD during the period under review, net off by the decrease in bank interest income and investment return caused by the realisation of a portion of the investment portfolio to support the capital expenditures and operating activities of the Group.

Finance costs increased by HK$0.5 million mainly due to the increase in interest rates during 1H2017 relative to 1H2016.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2017, the Group had total cash position of HK$58.8 million represented cash at bank and in hand (31 December 2016: HK$44.4 million) and outstanding borrowings of HK$93.4 million (31 December 2016: HK$184.1 million) drawn for investment yield enhancement purpose. The increase in total cash position was mainly due to the net realisation from investment portfolio of HK$242.7 million, cash acquired through acquisition of a subsidiary of HK$11.0 million and net investment income received of HK$32.1 million partially net off by purchases of property, plant and equipment of HK$112.6 million, net bank loan repayment of HK$91.5 million, and the resources utilised for operating activities of HK$67.3 million.

On investment in available-for-sale securities, the Group has invested, at fair value, of HK$946.1 million as at 30 June 2017 (as at 31 December 2016: HK$1,183.4 million). The decrease in investment in available-for-sale securities was mainly due to the use of certain matured available-for-sale debt securities to fund the capital expenditure and operating activities. As at 30 June 2017, there was a deficit of HK$2.7 million being recorded in Fair Value Reserve (31 December 2016: a revaluation deficit of HK$18.4 million), a decrease in deficit by HK$15.7 million. Among the available-for-sale securities, about 95.2% (as at 31 December 2016: 96.6%) are invested in fixed income products or other debt securities which substantially will be repaid at par upon maturity.

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

As at 30 June 2017, the Group has utilised HK$93.4 million (31 December 2016: HK$184.1 million) uncommitted banking facilities mainly for investment purpose, leaving HK$1,082.1 million (31 December 2016: HK$998.6 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at bank and in hand and term deposits within three months of maturity, if any. There is no pledged bank deposit as at 30 June 2017 and 31 December 2016.

The debt maturity profiles of the Group as of 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Repayable within one year	**93,370**	184,144

As at 30 June 2017, our outstanding borrowings bore fixed interest rate and denominated in Hong Kong dollars. After considering the cash and cash equivalents and term deposits, if any, held by the Group, the gearing ratio of the Group as of 30 June 2017 was 0.02 times (31 December 2016: 0.07 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 2017 *HK$'000*	31 December 2016 *HK$'000*
Net Debt *(note (a))*	**34,557**	139,747
Net Asset	**1,923,169**	1,996,663
Gearing ratio (times)	**0.02**	0.07

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

During 1H2017, the Group invested HK$111.3 million on capital expenditure versus HK$259.6 million in 1H2016. The capital expenditure was mainly incurred for the construction of the Centre at Tseung Kwan O Industrial Estate, for the expansion of our logistic car fleet and installation of the automatic picking and conveying system. 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 2017, the Group's bank loans of HK$93.4 million (31 December 2016: HK$184.1 million) were secured by an equivalent amount of available-for-sale securities held by various banks.

Exchange Rates

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

The Group is also exposed to 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. In order to limit this exchange rate risk, the Group closely monitors Renminbi exposure to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

Contingent Liabilities

As of 30 June 2017 and 31 December 2016, the Group had no material contingent liabilities or off-balance sheet obligations.

PROSPECTS

Hong Kong's retail market finally saw the light of dawn, the provisional value and volume of total retail sales for the first half of 2017 achieved at the similar level as in the first half of 2016[2], and overall, on an moderate increasing trend. The improving consumer sentiment in Hong Kong has solidified our O2O concept store expansion plan. During 1H2017, we successfully used our first two O2O concept stores at North Point and South Horizons as an effective marketing tool to enhance the awareness of HKTVmall as well as to increase the online business generated from the neighbourhood. In this regard, we are making full effort to add to 20–30 stores by the end of 2017 targeting to replicate the success on the O2O conversion in other regions of Hong Kong.

On hardware enhancement, the first phrase of the automatic picking and conveying system at our Tsing Yi logistics and warehouse centre is on its full speed deployment and is expected to be fully launched in the next few months in 2017. While the system is undergoing a continuous deployment, we are also re-engineering and streamlining our existing workflow and procedures to optimise the output of the whole logistics, fulfilment and warehousing functions. We are not only aiming to substantially reduce our reliance on human workforce and the related labour costs, we are also enhancing the output capacity to cope with the continued business growth. We look forward to having a more stable, efficient and scalable operating environment as well as more cost effective fulfilment and last mile delivery service for improving our operating margin in the near future.

Last but not the least, while we just officially relocate HKTV headquarters and HoKoBuy offices to our newly built Centre at Tseung Kwan O Industrial Estate in mid-August 2017, we expect this co-location not only provide a fresh enlarged working environment to our talents, it shall also enhance the effectiveness and efficiency in deploying our resources on management team, logistics and fulfilment function, multimedia production function, etc.. The multimedia facilities we currently built in the Centre, including 4 studios, dubbing facilities, editing facilities, multimedia data centre, together with the Hollywood grade production equipment are ready to serve the upcoming needs on digital production and marketing needs of our merchants and business partners to scale up their business. Aided with visual and multimedia experience at our online shopping mall, we shall be able to bring more value choices to our customers.

On media business, after long discussion with the Office of the Communications Authority (the "OFCA") since March 2014, the OFCA finally granted us approval on the transmission standard to provide mobile television service through adopting Digital Video Broadcasting – Terrestrial 2 on 13 July 2017. The result for the second application of the Free

[2] According to the Report on Monthly Survey of Retail Sales published in June 2017 by the Census and Statistics Department of Hong Kong Special Administrative Region.

TV licence we submitted in April 2014 is still pending from the government. Given it has been almost 8 years since our first submission for the application of Free TV licence on 31 December 2009, the TV landscape in Hong Kong has changed tremendously.

1. Viewers' interest and preference on watching free and paid TV content has shifted towards other content or information channels, and the content geographical barrier has almost been removed completely given the commoditisation of Internet boardband and mobile transmission speed, and the accessibility and popularity of the mobile smart devices.

2. Provision of media content is no longer limited to TV only but also coming from variety of digital channels, such as Netflix, YouTube, Instagram, Facebook and even content posted by individual Key Opinion Leader ("KOL") – content is everywhere nowadays.

3. While digital marketing is getting more and more popular among different target consumer groups and getting more cost effective, TV is no longer the dominant player in the advertising and promotional space.

4. Haven't said the new players added to the TV market in the past few years, and the potential players planning to join the market.

The TV and also the overall media landscape have significant difference comparing to 8 years ago when we first considered the business opportunity. While the Group currently put most of the focus on the shining online shopping business and multimedia production, in the next few months, we shall conduct a strategic review on the use of the Mobile TV licence and the application for the second Free TV licence in particular on its commercial viability at this changing TV business environment and the expected return to our shareholders. We shall provide an update to our stakeholders in the next few months in 2017 when we have a clear direction on the media business.

TALENT REMUNERATION

Including the directors of the Company, as at 30 June 2017, the Company had 727 permanent full-time employees versus 618 as of 31 December 2016. The increase was mainly due to the acquisition of HoKoBuy in early March 2017.

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 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 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

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 (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 2017.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim financial report of the Company for the six months ended 30 June 2017.

The Audit Committee currently 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 2017 (six months ended 30 June 2016: 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, 18 August 2017

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

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