



HONG KONG TELEVISION
NETWORK LIMITED
香港電視網絡有限公司

Stock Code - SEHK : 1137

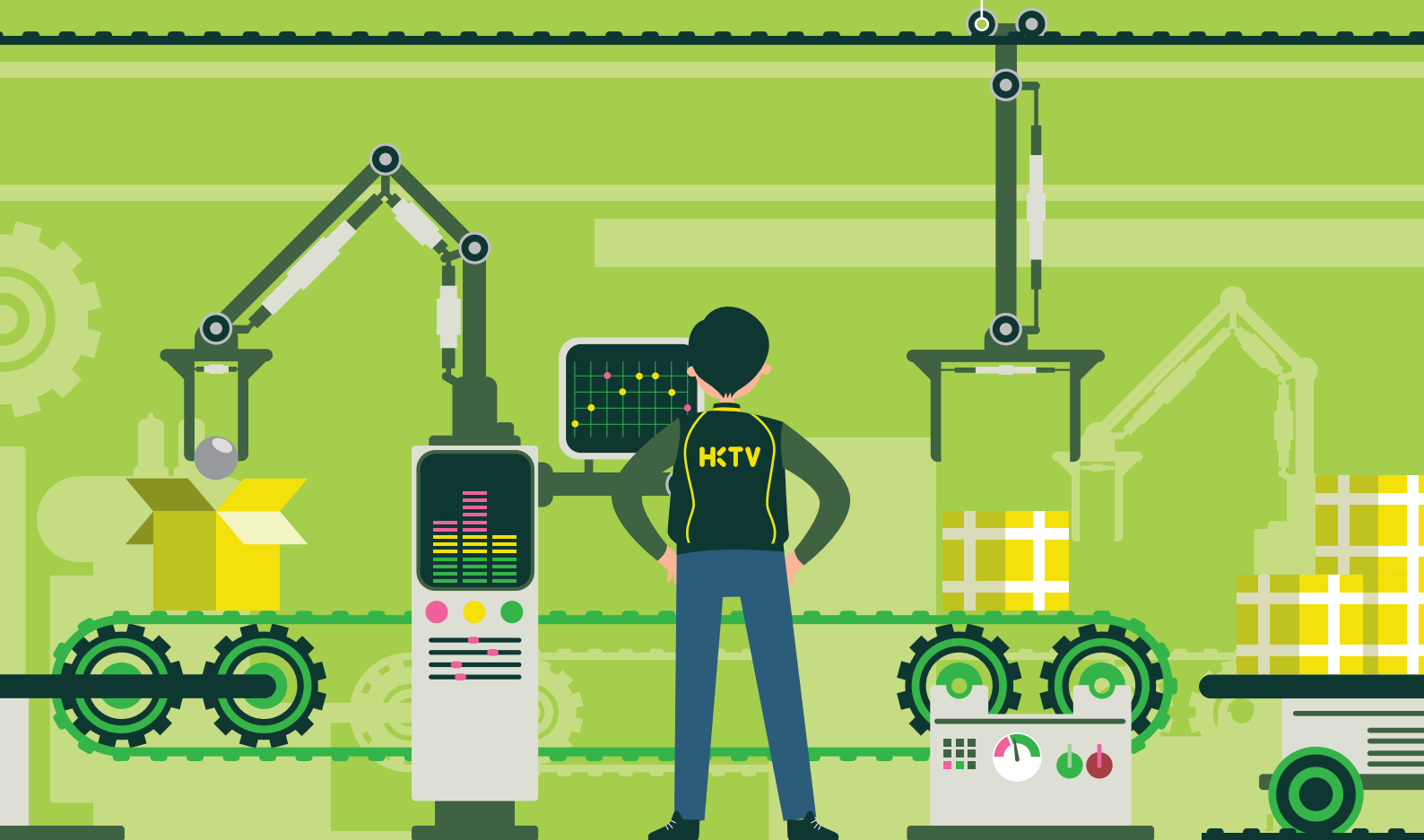
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INTERIM REPORT 2018

Building Blocks For the Future

HKTVMall

www.hktvmall.com



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AUTONOMY

Nowadays, e-commerce is one of the growth momentum of the global economy. Hong Kong, praised as Shoppers' Paradise, however, is lagging behind in this aspect compared to neighbourhood areas. HKTVmall endeavors to be the engine of local e-commerce development. By keeping evolve to create value for customers, and encouraging them to learn and try, we hope to become an indispensable part of lives, and remain the competitiveness of Hong Kong.

Where the English and the Chinese texts conflict, the English text prevails.

Corporate Information

FINANCIAL CALENDAR

Six months period ended:
30 June 2018

Announcement of interim results:
30 August 2018

LISTING

The ordinary shares of Hong Kong Television Network Limited (the "Company") are listed on The Stock Exchange of Hong Kong Limited. In addition, the Company's American Depositary Shares (ADSs), each representing 20 ordinary shares. On 8 December 2015, the Company filed the Form 25 with the U.S. Securities and Exchange Commission ("SEC") to effect the delisting of the ADSs. On 29 December 2016, the Company filed the Form 15F with the SEC to deregister and terminate its reporting obligations under the U.S. Securities Exchange Act. Since 21 December 2015, our ADSs are eligible for trading in the United States in the over-the-counter (OTC) market.

Executive Directors

Mr. WONG Wai Kay, Ricky^{3,4} (Chairman)

Mr. CHEUNG Chi Kin, Paul^{3,5}
(Vice Chairman and Chief Executive Officer)

Ms. WONG Nga Lai, Alice^{3,5} (Chief Financial Officer)

Mr. LAU Chi Kong³ (Chief Operating Officer)

Ms. ZHOU Huijing³

Independent Non-executive Directors

Mr. LEE Hon Ying, John^{1,7,8}

Mr. PEH Jefferson Tun Lu^{2,5,6,9}

Mr. MAK Wing Sum, Alvin^{2,7,9}

¹ Chairman of Audit Committee

² Members of Audit Committee

³ Members of Executive Committee

⁴ Chairman of Investment Committee

⁵ Members of Investment Committee

⁶ Chairman of Nomination Committee

⁷ Members of Nomination Committee

⁸ Chairman of Remuneration Committee

⁹ Members of Remuneration Committee

Company Secretary

Ms. WONG Nga Lai, Alice

Authorised Representatives

Mr. WONG Wai Kay, Ricky

Mr. CHEUNG Chi Kin, Paul

Registered Office

HKTVMultimedia and Ecommerce Centre
No. 1 Chun Cheong Street
Tseung Kwan O Industrial Estate
New Territories, Hong Kong

Auditor

KPMG

Certified Public Accountants

8th Floor
Prince's Building
10 Chater Road
Central, Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited

46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

American Depositary Bank

The Bank of New York Mellon Corporation

101 Barclay Street, 22nd Floor
New York, NY 10286 USA

Principal Bankers

Citibank, N.A.
The Hongkong and Shanghai Banking Corporation Limited

Website

www.hktv.com.hk

Chairman's Statement

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.

Chairman's Statement

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

Management's Discussion and Analysis

OPERATIONAL HIGHLIGHTS

In thousands of Hong Kong dollars unless specified

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
On Order Intake		
Gross Merchandise Value ("GMV") ¹	816,721	453,800
Average Daily Order Number (rounded to the nearest hundred)	8,900	5,100
Average Order Value (HK\$) (rounded to the nearest dollar)	505	491
Combined Unique Customers (rounded to the nearest thousand)	427,000	149,000

	For the month ended 30 June 2018	For the month ended 30 June 2017
On Order Intake		
Gross Merchandise Value ("GMV")	152,588	87,533
Average Daily Order Number (rounded to the nearest hundred)	10,100	6,300
Average Order Value (HK\$) (rounded to the nearest dollar)	506	467

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.

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

In thousands of Hong Kong dollars except for per share amounts and ratios

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Turnover	388,598	203,905
Loss attributable to shareholders	(139,863)	(96,204)
Loss per share		
— Basic and Diluted (HK\$)	(0.17)	(0.12)
Capital Expenditures	26,355	111,274
Direct merchandise sales — gross margin %	19.5%	15.9%
Income from concessionaire sales and other service income — blended commission rate	18.0%	20.1%

	As at 30 June 2018	As at 31 December 2017
Cash position ²	87,347	100,199
Other financial assets	723,105	876,165
Total outstanding borrowings	274,058	219,623
Total equity attributable to equity shareholders	1,706,112	1,862,632
Shares in issue (in thousands)	812,732	809,017
Net asset per share (HK\$)	2.10	2.30
Gearing ratio	0.11	0.06

² Cash position means cash at bank and in hand and term deposits, if any.

RECONCILIATION OF ADJUSTED EBITDA LOSS^{3, 5}

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Loss attributable to shareholders	(139,863)	(96,204)
Income tax expenses/(credit)	265	(199)
Interest on bank loans	2,366	656
Investment returns ⁶	(21,157)	(29,410)
Depreciation	30,658	21,596
Amortisation on intangible assets	10,989	6,516
EBITDA loss ^{3, 4}	(116,742)	(97,045)
Major non-cash items:		
Valuation gains on investment properties	(19,700)	(23,900)
Net exchange gain	(2,748)	(12,111)
Reversal of expected credit losses on debt securities measured at FVOCI	(471)	–
Non-cash licensing income	(3,813)	–
Unrealised fair value loss on units in investment funds measured at FVPL	7,895	–
Equity settled share-based payment expenses	7,189	6,917
Adjusted EBITDA loss ^{3, 5}	(128,390)	(126,139)

³ EBITDA loss and adjusted EBITDA loss are not measures of performance under Hong Kong Financial Reporting Standards ("HKFRSs"). These measures do not represent, and should not be used as substitutes for, net loss or cash flows from operations as determined in accordance with HKFRSs. These measures are not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definitions of these measures may not be comparable to other similarly titled measures used by other companies.

⁴ 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.

⁵ Adjusted EBITDA loss means EBITDA loss adjusted by major non-cash items.

⁶ Investment returns include bank interest income, dividend income from other financial assets, interest income from other financial assets and gain on disposal of debt securities.

Management's Discussion and Analysis

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 report 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.

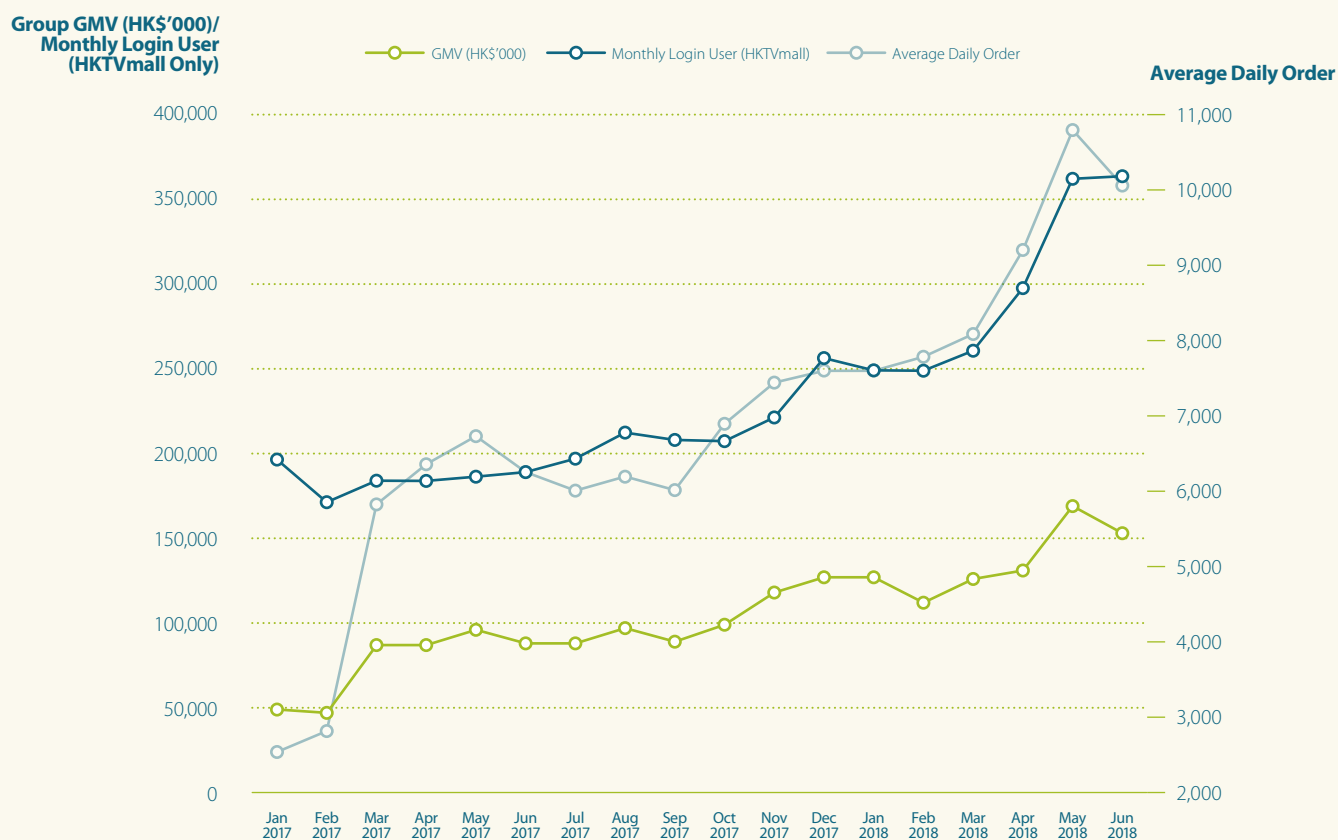
To further enhance our customers' payment experience, in June 2018, we partnered with HSBC to bring their PayMe, a prominent peer-to-peer social payment APP in Hong Kong, to HKTVmall APP. This is the first adoption of Payme for payments between consumers and merchants. Going forward, we shall continue 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 per day. 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 per day. 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 per day 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.

Management's Discussion and Analysis

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 products⁷ 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.



⁷ 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 ⁸	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%

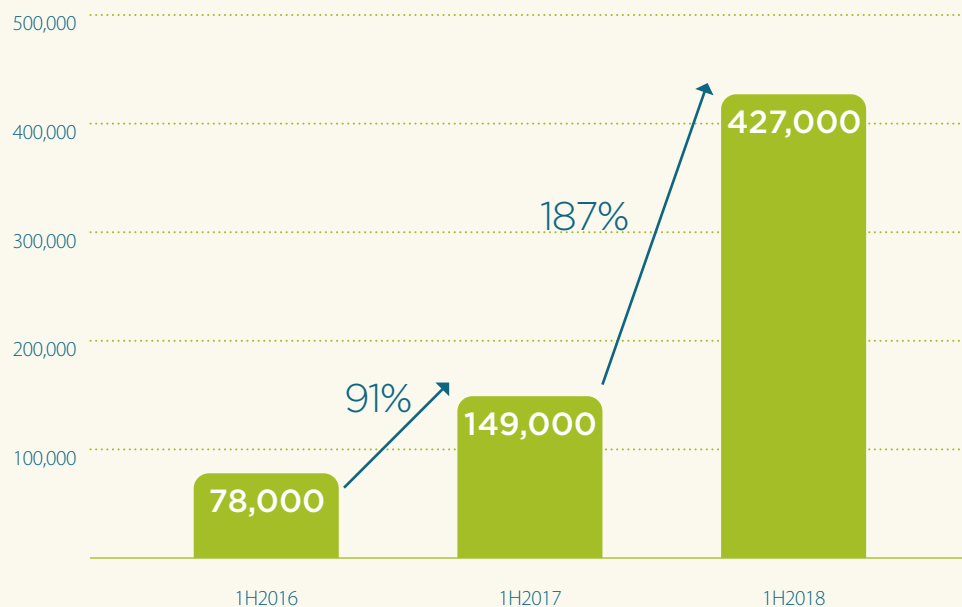
⁸ GMV on completed orders represents the total gross sales dollar value for merchandise sold through a particular marketplace and the customer has obtained control of the promised goods and services ordered over a certain time frame, after deduction of any discounts offered by the marketplace, relevant rebate used, cancellation and returns of merchandise.

Management's Discussion and Analysis

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

Combined Unique Customers
(rounded to the
nearest thousand)



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.

Management's Discussion and Analysis

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 HK\$'000	31 December 2017 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.

Management's Discussion and Analysis

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-surgings 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.

Unaudited Consolidated Income Statement

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

	Note	Six months ended	
		30 June 2018 HK\$'000	30 June 2017 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	10	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.

The notes on pages 23 to 41 form part of this interim financial report.

Unaudited Consolidated Statement of Comprehensive Income

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

	Note	Six months ended	
		30 June 2018 HK\$'000	30 June 2017 HK\$'000
Loss for the period		(139,863)	(96,204)
Other comprehensive income for the period	6		
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Equity instruments designated at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)		(5,650)	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
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).

The notes on pages 23 to 41 form part of this interim financial report.

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	10	1,167,751	1,152,387
Intangible assets	11	100,679	99,828
Goodwill		897	897
Long-term receivables, deposits and prepayments		47,339	11,912
Other financial assets	12	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	13	32,412	26,912
Other current financial assets	12	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	14	100,425	92,951
Other payables and accrued charges	14	147,773	154,840
Deposits received		4,286	4,286
Bank loans	15	274,058	219,623
		526,542	471,700
		(282,067)	(75,397)
Total assets less current liabilities		1,708,533	1,864,788
Non-current liabilities			
Deferred tax liabilities	17	2,421	2,156
NET ASSETS		1,706,112	1,862,632
CAPITAL AND RESERVES			
Share capital	18	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.

The notes on pages 23 to 41 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

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

Note	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	Retained profits HK\$'000	Revaluation reserve HK\$'000	Available-for-sale investment fair value reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Total equity 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	18(a)	8,267	-	-	-	-	-	(2,867)	-	5,400
Equity settled share-based transactions	16	-	-	-	-	-	-	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 HK\$'000	Retained profits HK\$'000	Revaluation reserve HK\$'000	Available-for-sale investment fair value reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Total equity 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.

The notes on pages 23 to 41 form part of this interim financial report.

Unaudited Condensed Consolidated Cash Flow Statement

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

	Six months ended	
	30 June 2018 HK\$'000	30 June 2017 HK\$'000
Loss before taxation	(139,598)	(96,403)
Valuation gains on investment properties	(19,700)	(23,900)
Equity settled share-based payment expenses	7,189	6,917
Depreciation	30,658	21,596
Amortisation of intangible assets	10,989	6,516
Interest income from other financial assets	(20,692)	(27,389)
Changes in working capital	(6,530)	35,724
Others	3,648	9,675
Net cash used in operating activities	(134,036)	(67,264)
Investing activities		
Additions of other financial assets	(60,297)	(127,178)
Proceeds received from disposal of debt securities	13,082	145,151
Proceeds received from maturity of debt securities	165,322	224,708
Net cash inflow on acquisition of a subsidiary	–	11,042
Purchases of property, plant and equipment	(77,518)	(112,646)
Others	23,298	32,116
Net cash generated from investing activities	63,887	173,193
Financing activities		
Net proceeds/(repayment) of bank loans	54,435	(90,769)
Proceeds from issuance of new shares	5,400	–
Interest paid on bank loans	(2,546)	(776)
Net cash generated from/(used in) financing activities	57,289	(91,545)
Net (decrease)/increase in cash and bank balances	(12,860)	14,384
Cash and bank balances at 1 January	100,199	44,397
Effect of foreign exchange rate changes	8	32
Cash and bank balances at 30 June	87,347	58,813

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.

The notes on pages 23 to 41 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

This unaudited interim financial report of Hong Kong Television Network Limited (the “Company”) and its subsidiaries (the “Group”) 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 issue on 30 August 2018.

The 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.

This 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 on page 42 of this interim financial report. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

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

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

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

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 HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000	HKFRS 9 carrying amount at 1 January 2018 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.

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, *Financial instruments* (continued)

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

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 2018 HK\$'000	30 June 2017 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 2018 HK\$'000	30 June 2017 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

6 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to other comprehensive income

	Six months ended					
	30 June 2018			30 June 2017		
	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
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 HK\$'000	30 June 2017 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 HK\$'000	30 June 2017 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

10 PROPERTY, PLANT AND EQUIPMENT

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
At the beginning of the period/year	1,152,387	917,048
Additions through business combinations	–	296
Additions	26,355	182,128
Disposal	(33)	(4,389)
Valuation gains on investment properties (note a)	19,700	80,500
Transfer from leasehold land and buildings to investment properties	–	23,579
Depreciation charge	(30,658)	(46,775)
At the end of the period/year	1,167,751	1,152,387

Note:

- (a) All investment properties of the Group were revalued as at 30 June 2018 by direct comparison approach determined by reference to recent sales price of comparable properties. The valuations were carried out by an independent firm of surveyors, CBRE Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

11 INTANGIBLE ASSETS

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
At the beginning of the period/year	99,828	112,248
Addition	11,840	–
Acquired in business combination	–	2,640
Amortisation	(10,989)	(15,060)
At the end of the period/year	100,679	99,828

Intangible assets included the indefeasible right of use in certain capacity of the telecommunications network of the former subsidiary for a term of 20 years, right to use of the telecommunications services from the former subsidiary for a term of 10 years, and merchant relationship from the acquisition of a subsidiary during the year ended 31 December 2017 for terms of 2 years.

12 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.

13 INVENTORIES

The inventories are mainly merchandise purchased for the Group's E-commerce business.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

14 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 HK\$'000	31 December 2017 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.

15 BANK LOANS

At 30 June 2018, the bank loans were repayable as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Within 1 year	274,058	219,623

At 30 June 2018, the uncommitted banking facilities of the Group amounted to HK\$1,381,913,000 (31 December 2017: HK\$1,177,007,000). The facilities were utilised to the extent of bank loans of HK\$274,058,000 (31 December 2017: HK\$219,623,000).

All of the Group's banking facilities are subject to the fulfilment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2018 and 31 December 2017, none of the covenants relating to drawn down facilities had been breached.

At 30 June 2018, the bank loans bore fixed interest rate ranged from 2.3% to 2.9% (31 December 2017: 1.4% to 2.0%) per annum and were secured by certain of the Group's other financial assets with an equivalent amount to the bank loans.

16 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "2012 Share Option Scheme") which was adopted by shareholders of the Company on 31 December 2012 whereby the directors may, at their discretion, invite eligible participants to receive options to subscribe for shares subject to the terms and conditions stipulated therein.

Under the 2012 Share Option Scheme, the Company may grant options to Talents (including executive, non-executive and independent non-executive directors), suppliers and professional advisers to subscribe for shares of the Company. The maximum number of options authorised under the 2012 Share Option Scheme may not, when aggregated with any shares subject to any other executive and talent share option scheme, exceed 10% of the Company's issued share capital on the date of adoption. The exercise price of the option is determined by the Company's board of directors at a price not less than the higher of (a) the average closing price of the Company's shares for five trading days preceding the grant date; and (b) the closing price of the Company's shares on the date of grant. The 2012 Share Option Scheme is valid and effective for a ten-year-period up to 30 December 2022 subject to earlier termination by the Company by resolution in general meeting or by the board of directors. The period during which the option may be exercised will be determined by the board of directors at its discretion, save that no option may be exercised after more than ten years from the date of grant.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

16 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

On 21 February 2017, the Company granted a total of 18,500,000 share options at exercise price of HK\$1.45 per share to certain eligible employees to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme. Such options were granted a 10-year term from the date of grant. Among the 18,500,000 Share Options, the vesting date is as follows:

- (i) 12,295,000 of which will vest on 1 March 2018; and
- (ii) 6,205,000 of which will vest on 1 March 2018 subject to the achievement of certain performance targets as determined by the Board.

On 23 March 2017, the Company granted a total of 1,500,000 share options to a director of the Company to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme. The share options were granted with exercise price of HK\$1.464 per share. Such options will vest on 1 March 2018 and have a 10-year term from the date of grant.

On 23 March 2017, the Company granted, subject to the approval by the independent shareholders at the Annual General Meeting held on 26 May 2017, a total of 20,000,000 share options to two directors of the Company to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme. The grant of the share options were approved by the independent shareholders at the Annual General Meeting on 26 May 2017. The share options were granted with exercise price of HK\$1.464 per share. Such options will vest on 1 March 2018 and have a 10-year term from the date of grant.

Total equity settled share-based payment expense of HK\$7,189,000 was recognised in the consolidated income statement, with the offset in equity reserves, for the six months ended 30 June 2018. Particulars and movements of share options during the six months ended 30 June 2018 was as follows:

2012 Share Option Scheme	Period ended 30 June 2018		Year ended 31 December 2017	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the period/year	1.46	37,340,000	–	–
Granted during the period/year	–	–	1.46	40,000,000
Exercised during the period/year	1.45	(3,715,000)	–	–
Lapsed during the period/year	–	–	1.45	(2,660,000)
Outstanding at the end of the period/year	1.46	33,625,000	1.46	37,340,000
Exercisable at the end of the period/year	1.46	33,625,000	–	–

During the period ended 30 June 2018, no share options have been granted under the 2012 Share Option Scheme by the Company.

The options outstanding at 30 June 2018 had a weighted average remaining contractual life of 8.7 years (31 December 2017: 9.2 years).

17 DEFERRED TAXATION

The movements of the net deferred tax liabilities recognised in the consolidated statement of financial position are as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
At the beginning of the period/year	(2,156)	(993)
Deferred taxation charged to consolidated income statement — relating to the origination and reversal of temporary differences	(265)	(1,163)
At the end of the period/year	(2,421)	(2,156)

As at 30 June 2018, the Group did not recognise deferred tax assets in respect of unused tax losses of HK\$1,892,715,000 (31 December 2017: HK\$1,723,527,000) as it was not probable that future taxable profits against which these differences could be utilised would be available in the relevant tax jurisdictions. The tax losses do not expire under the current tax legislation.

The components of deferred tax assets and liabilities in the consolidated statement of financial position and the related movements during the period/year are as follows:

	Tax losses carried forward	
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Deferred tax assets:		
At the beginning of the period/year	28,231	27,084
Credited to consolidated income statement	2,673	1,147
At the end of the period/year	30,904	28,231

	Depreciation allowances in excess of the related depreciation	
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Deferred tax liabilities:		
At the beginning of the period/year	(30,387)	(28,077)
Charged to consolidated income statement	(2,938)	(2,310)
At the end of the period/year	(33,325)	(30,387)

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

17 DEFERRED TAXATION (continued)

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position.

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Deferred tax liabilities	(2,421)	(2,156)

18 CAPITAL AND RESERVES

	30 June 2018		31 December 2017	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	809,016,643	1,268,914	809,016,643	1,268,914
Shares issued upon exercise of share options	3,715,000	8,267	–	–
At the end of the period/year	812,731,643	1,277,181	809,016,643	1,268,914

(a) Share issued upon exercise of share option

During the period ended 30 June 2018, 3,715,000 ordinary shares were issued at weighted average exercise price of HK\$1.45 per ordinary share to share option holders who had exercised their options with an aggregate consideration of HK\$5,400,000 of which HK\$8,267,000 was credited to share capital and the balance of HK\$2,867,000 was debited to the capital reserve.

(b) Reserves

(i) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(b)). Prior to 1 January 2018, the available-for-sale investment fair value reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. Part of this amount has been reclassified to fair value reserve (non-recycling), fair value reserve (recycling) and retained profits upon the initial adoption of HKFRS 9 at 1 January 2018 (see note 2(b)).

(ii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(b)(i)).

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified as determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical financial assets or liabilities at the measurement date
- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

30 June 2018	Fair value measurements categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets:				
— Debt securities measured at FVOCI	–	487,698	–	487,698
— Units in investment funds measured at FVPL	6,149	137,621	–	143,770
— Equity securities designated at FVOCI	27,788	–	–	27,788
— Perpetual bonds designated at FVOCI	–	63,849	–	63,849

31 December 2017	Fair value measurements categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets:				
— Available-for-sale debt securities	–	825,832	–	825,832
— Available-for-sale equity securities	35,794	14,539	–	50,333

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of other financial assets are based on quoted market prices for identical financial instruments at the end of the reporting period.

(b) Fair value of financial instruments carried at other than fair value

The carrying value of the Group's other financial instruments carried at cost or amortised cost are not materially different from fair value as at 30 June 2018 and 31 December 2017.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

20 COMMITMENTS

(a) Capital commitments

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Purchase of motor vehicles, computers and office equipment — Contracted but not provided for	122,766	151,389
Construction of Multimedia Production and Distribution Centre — Contracted but not provided for	828	2,581

(b) Commitments under operating leases

At 30 June 2018 and 31 December 2017, the Group has future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Leases in respect of land and buildings which are payable:		
Within 1 year	44,170	35,438
After 1 year but within 5 year	14,345	20,812
	58,515	56,250

21 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions.

Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended	
	30 June 2018 HK\$'000	30 June 2017 HK\$'000
Short-term employee benefits	3,931	1,326
Post-employment benefits	208	91
Equity settled share-based payment	5,955	—
	10,094	1,417

22 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.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The Group has not yet decided whether it will choose to take advantage of the practical expedient, and which transition approach to be taken.

HKFRS 16 is not expected to impact significantly on the way that the Group accounts for its rights and obligations under a lease when it is the lessor under the lease.

Independent Review Report

Independent review report to the Board of Directors of Hong Kong Television Network Limited

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 41 which comprises the consolidated statement of financial position of Hong Kong Television Network Limited and its subsidiaries as of 30 June 2018 and the related consolidated income statement, consolidated statement of comprehensive income, and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2018

Other Information

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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests or short positions of the Company's Directors, chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director	Interests in shares			Total interests in shares	Interests in underlying shares pursuant to share options	Aggregate Interests	Approximate percentage interests in the Company's issued share capital (Note 1)
	Personal interests	Corporate interests	Family Interests				
Mr. Wong Wai Kay, Ricky	–	355,051,177 (Note 2(i))	–	355,051,177	10,000,000	365,051,177	44.92%
Mr. Cheung Chi Kin, Paul	26,453,424	24,924,339 (Note 2(ii))	–	51,377,763	9,000,000	60,377,763	7.43%
Ms. Wong Nga Lai, Alice	50,000	–	–	50,000	1,500,000	1,550,000	0.19%
Mr. Lau Chi Kong	–	–	–	–	1,500,000	1,500,000	0.18%
Ms. Zhou Huijing	–	–	–	–	1,000,000	1,000,000	0.12%

Notes:

- This percentage is based on 812,731,643 ordinary shares of the Company issued as at 30 June 2018.
- The corporate interests of Mr. Wong Wai Kay, Ricky ("Mr. Wong") and Mr. Cheung Chi Kin, Paul ("Mr. Cheung") arise through their respective interests in the following companies:
 - 355,051,177 shares are held by Top Group International Limited ("Top Group") which is 44.60% owned by Mr. Wong and Mr. Wong's immediate family member; the interests of Top Group in the Company is also disclosed under the section "Substantial Shareholder" in this report.
 - 24,924,339 shares are held by Worship Limited which is 50% owned by Mr. Cheung.

Save as disclosed above, as at 30 June 2018, none of the Directors nor the chief executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares and derivative to ordinary shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 31 December 2012, the Company adopted a share option scheme (the "Share Option Scheme"). Under the Share Option Scheme, share options may be granted to eligible participants include employee, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries, suppliers and professional advisers of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

Details of the share options granted under the Share Option Scheme during the period for the six months ended 30 June 2018 were as follows:

Participants	Date of grant	Exercise price per share HK\$	Balance as at 1 January 2018	Options granted during the period	Options exercised during the period (Note 1)	Options cancelled/ lapsed during the period	Balance as at 30 June 2018	Vesting period	Exercise period
Directors									
Mr. Wong Wai Kay, Ricky	26 May 2017	1.464	10,000,000	-	-	-	10,000,000	26 May 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Mr. Cheung Chi Kin, Paul	26 May 2017	1.464	10,000,000	-	1,000,000	-	9,000,000	26 May 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Ms. Wong Nga Lai, Alice	23 March 2017	1.464	1,500,000	-	-	-	1,500,000	23 March 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Mr. Lau Chi Kong	21 February 2017	1.450	1,500,000	-	-	-	1,500,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
Ms. Zhou Huijing	21 February 2017	1.450	1,000,000	-	-	-	1,000,000	(Note 2)	(Note 2)
Employees under continuous employment contracts									
Employees	21 February 2017	1.450	2,300,000	-	-	-	2,300,000	(Note 2)	(Note 2)
	21 February 2017	1.450	705,000	-	150,000	-	555,000	(Note 3)	(Note 3)
	21 February 2017	1.450	10,335,000	-	2,565,000	-	7,770,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
Total			37,340,000	-	3,715,000	-	33,625,000		

Notes:

- The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$3.41.
- The exercise of the options is subject to certain conditions that must be achieved by the employees. The options vested on 1 March 2018 and shall be exercised not later than 20 February 2027.
- The exercise of the share options is subject to certain conditions that must be achieved by the grantee. The proposed amendment to terms of options granted to the grantees was approved by shareholders of the Company on 21 December 2017 and the options vested on 1 March 2018 and shall be exercised not later than 20 February 2027.
- During the six months ended 30 June 2018, no options were lapsed and cancelled.

SUBSTANTIAL SHAREHOLDER

At 30 June 2018, the interests or short positions of the persons, other than the directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Name	Interests in shares in long positions	Approximately percentage interests (Note)
Top Group International Limited	355,051,177	43.69%

Note: This percentage is based on 812,731,643 ordinary shares of the Company issued as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, the Company had not been notified of any persons (other than the directors and chief executive of the Company) having any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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 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.

UPDATE ON DIRECTORS' INFORMATION

Changes in Directors' information since the Company's last published annual report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

1. During the six months ended 30 June 2018, Ms. Wong Nga Lai, Alice and Mr. Lau Chi Kong received discretionary bonuses in the amounts of HK\$309,000 (equivalent to approximately 2 months of her monthly base salary) and HK\$333,720 (equivalent to approximately 3 months of his monthly base salary) respectively.
2. During the six months ended 30 June 2018, Mr. Cheung Chi Kin, Paul has agreed to waive his emoluments for further one year from 1 January 2018 to 31 December 2018.
3. With effective from 1 September 2018, the basic annual Director's fee of Messrs. Lee Hon Ying, John, Peh Jefferson Tun Lu and Mak Wing Sum, Alvin has been increased to HK\$231,900, HK\$217,600 and HK\$217,600 respectively subject to the appointment as the Independent Non-executive Directors for further one year from 1 September 2018 to 31 August 2019.
4. The monthly base salary of Mr. Lau Chi Kong has been increased from HK\$111,240 to HK\$150,000 with effect from 1 July 2018.

Save as disclosed above, there is no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

Other Information

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

Wong Wai Kay, Ricky

Chairman

Hong Kong, 30 August 2018