



HONG KONG TECHNOLOGY  
VENTURE COMPANY LIMITED  
香港科技探索有限公司  
SEHK STOCK CODE: 1137  
[www.hktv.com.hk](http://www.hktv.com.hk)

# Technology Enablers *for Digital* Transformation

INTERIM REPORT 2021



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# CORPORATE Information

## FINANCIAL CALENDAR

Six months period ended:  
30 June 2021

Announcement of interim results:  
26 August 2021

Ex-dividend date for interim dividend:  
13 September 2021

Closure of register of members:  
15 to 17 September 2021 (both days inclusive)

Record date for interim dividend:  
17 September 2021

Despatch of interim dividend warrants:  
On or around 6 October 2021

## LISTING

The ordinary shares of Hong Kong Technology Venture Company Limited (the "Company") are listed on The Stock Exchange of Hong Kong Limited. In addition, the Company's American Depositary Shares (ADSs) each represent 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. CHEUNG Chi Kin, Paul<sup>3,5</sup> (*Chairman*)

Mr. WONG Wai Kay, Ricky<sup>3,4</sup>

(*Vice Chairman and Group Chief Executive Officer*)

Ms. WONG Nga Lai, Alice<sup>3,5</sup> (*Group Chief Financial Officer*)

Mr. LAU Chi Kong<sup>3</sup>

(*Chief Executive Officer (International Business)*)

Ms. ZHOU Huijing<sup>3</sup>

(*Chief Executive Officer (Hong Kong)*)

## Independent Non-executive Directors

Mr. LEE Hon Ying, John<sup>1,7,8</sup>

Mr. PEH Jefferson Tun Lu<sup>2,5,6,9</sup>

Mr. MAK Wing Sum, Alvin<sup>2,5,7,9</sup>

<sup>1</sup> Chairman of Audit Committee

<sup>2</sup> Member of Audit Committee

<sup>3</sup> Member of Executive Committee

<sup>4</sup> Chairman of Investment Committee

<sup>5</sup> Member of Investment Committee

<sup>6</sup> Chairman of Nomination Committee

<sup>7</sup> Member of Nomination Committee

<sup>8</sup> Chairman of Remuneration Committee

<sup>9</sup> Member of Remuneration Committee

## Company Secretary

Ms. WONG Nga Lai, Alice

## Authorised Representatives

Mr. WONG Wai Kay, Ricky

Ms. WONG Nga Lai, Alice

## 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*

Public Interest Entity Auditor registered in accordance with  
the Financial Reporting Council Ordinance

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](http://www.hktv.com.hk)

Dear Shareholders,

The name of the Group has been changed to “Hong Kong Technology Venture Company Limited” in July this year. This new name reflects more accurately our overall business and future development. Apart from online shopping business in Hong Kong, the new name consists of “technology” and “venture”, which are exactly the two major elements instrumental to fostering the Group’s future development direction.

## **“TECHNOLOGY”**

Over the past thirty years, “technology” has been the key to the Group’s success, and the cornerstone for our development. From the self-developed IDD long distance callback technology, to the improved Metro Ethernet with fibre-to-the-home broadband services, and now extended to eCommerce today, all these may appear as changes in business nature from telecommunications services to HKTVmall. As far as we are concerned, what have been changed are the ways of presentation. The underlying core has always been “technology”. We make improvements and enhancements with technology, thereby bringing betterment to this world.

Without inventions from new technologies, affordable IDD long distance calling service would never have existed; high speed 1000M fibre-to-the-home broadband services affordable to mass market would never have been possible; nor would there have been reachable online shopping mall and automated logistics and delivery services. More importantly, there would not have been any digital commercial ecosystem, including digital insurance services, open databank, etc.

## **“VENTURE”**

The other important mission and motivation for the Group is “venture”, where we charter into unknown territory to look for new opportunities and to develop new businesses. While not all “ventures” will achieve final success, daring to imagine, daring to try and daring to face failure are indeed the guiding principles for which our team has always devoted full efforts. We also strongly believe that as long as we anchor society needs for our “venture” and that we always aim at improving human living, the chance of success will be much higher.

## **THE ROLE OF HKTVMALL**

With our efforts made over the past seven years, HKTVmall has established firmly its position as the largest online shopping mall in Hong Kong. HKTVmall has built its unique business and operational model by making use of different technologies and as the pandemic lasts for over one year, the change in operational models for merchants and consumer behavior have been confirmed and become irreversible. Over the past year, the number of online shopping platform surged, and some have even described HKTVmall as encountering enemies from all sides. Among all the competitors include corporate with many years’ experience operating large online shopping platform as well as multi-national corporate which runs fast delivery service of food and they all seem to set HKTVmall as their target. Some may pinpoint their delivery speed in order to shake the foundation of HKTVmall.

In the face of competition, the management of the Group remains confident. First, the more these late comers join the race, the more this confirms that the industry has changed their original mindsets and recognized consumer desire and needs for online shopping. However, these new competitors lack understanding towards Hong Kong eCommerce market. HKTVmall is not just an App. Its major difference stems from our accumulated experiences over the past years, the established systems, be it large or small, on sales, data analysis, warehouse management and picking, as well as our delivery team. These infrastructures provide end-to-end services to our customers, which represent an overall and perfect shopping experience. Most importantly, the mature team demonstrates our determination and power of execution. The management of the Group strongly believes that, until the emergence of a very serious investor who is willing to invest billions of dollars to build an infrastructure for online shopping, HKTVmall will maintain its leading position in Hong Kong eCommerce market.

Following the continuous development of our online shopping mall and further extension to digital ecosystem, the role of HKTVmall to the overall business of the Group will also transcend. Apart from revenue generation which HKTVmall will continue to bring being rooted in Hong Kong to serve our customers, it will also be a success case and role model demonstrating how an operational model using technologies and systems as the core achieves success. HKTVmall makes joint efforts with the Group’s technology enabler, Shoalter Technology Limited (“Shoalter”), to create synergy and mutual support.

## CHAIRMEN'S STATEMENT

### SHOALTER TECHNOLOGY

Over the past year, Shoalter developed its team and business in full force, marching towards the goal of leading technology development and applications.

With our self-developed technology solutions, Shoalter supports the first large online shopping mall other than HKTVMall that will be launched in coming months. Operated by I.T, this large online shopping mall "EESE" will embrace different market positions with HKTVMall, aiming to attract customers with different merchants and retailers, bringing more product choices and different experiences to customers. In June 2021, the Group jointly organized the first online merchant acquisition webinar with I.T to introduce this new platform to HKTVMall merchants, of which hundreds of them have signed up already. EESE is now on track and reached the final stage for system optimization, targeting to do formal launch in Q4 this year. HKTVMall will continue to devote full efforts to support EESE, and will enable traffic diversion at a later stage.

In view of the penetration of smart device and consumer habits in Hong Kong, we strongly believe that there should not be only one online shopping mall in the eCommerce market. With different value proposition between EESE and HKTVMall, we are of the view that no single online shopping platform will be able to acquire and monopolise the markets across all industries. From the Group's perspective, while Shoalter would charge one-time implementation fee and also annual fee and sales turnover based commission fee within the contractual period, the actual return will be similar to the income generated by HKTVMall.

The other most impactful and important project among our thirty years' commercial experience, is the "Automated Retail Store and System" under the Group's subsidiary — Shoalter Automation Limited, which was announced several weeks ago. The Group has submitted its first Hong Kong standard patent application on 4 August 2021. The uniqueness of this project is to utilize cutting-edge technologies invented based on the Group's extensive experience and knowhow of our online shopping mall platform's fulfilment flow, combined with state-of-the-art robotics, self-designed machineries and software. "Unmanned Store" may not be a new concept, but we believe we are the first one in the world to leverage on this new invention and technology to achieve the effectiveness brought by unmanned store. The differentiating part of our Automated Retail Store and System lies in its entirely automated selling and fulfilment flow in an offline retail shop including order taking, stock out and inventory replenishment process such that no human service is required in the internal operations. The machine will fully utilize store floor space to store multi-temperature products in various sizes, shapes and weight.

We expect that this Automated Retail Store and System will bring new experience and hit to the global retail landscape, and we expect to have a trial launch in the first half of 2022. If all (including technology and market positioning) go smoothly, commercial launch will take place in the same year with primary target at developed countries such as Europe, the U.S. and Canada. The advantages of this "unmanned store" operational model include better utilization of store space to sell more products, while saving manpower and cost notwithstanding 24-hour operations.

On 23 August 2021, we have announced that we have entered into a share subscription agreement with PT Kalbe's subsidiaries, the leading pharmaceutical company in Indonesia, to utilize our online shopping platform technology and software system to develop online shopping mall in Indonesia and set the framework for potential opportunities in other Southeast Asia countries, focusing on the selling of healthcare and wellness products. PT Kalbe is a company listed in Indonesia Stock Exchange with long history, which is engaged in the development, manufacturing and trading of pharmaceutical preparation including medicines and consumer health products, with annual sales turnover in 2020 reached US\$1.6 billion. This collaboration signifies that Shoalter will combine its mature online shopping mall technologies with the expertise from other industries to explore different development opportunities from different industries across the world.

To cope with the business expansion of Shoalter, we are also expanding the team with around 300 Talents including software, hardware, mechanical engineers, research and development Talents in our Hong Kong and Taiwan offices, and we aim to expand to 400 by the end of this year.

## OUR TEAM

The business development of the Group over the past years relies on the strong execution capability of the team. As we have mentioned in 2020 annual report, the Group has evolved into three major business units with respective operations and development targets. Chief Executive Officer (Hong Kong) — Ms. Jelly Zhou and Chief Executive Officer (International Business) — Mr. Kenneth Lau are leading business development strategies and executions in Hong Kong and overseas respectively.

As our business development has entered into the next stage, we must take care of the health and sustainable growth of the team, in order to adapt to technology and market changes. Therefore, we encourage our Talents to jump out of their comfort zones, as keep changing is our corporate culture. In fact, the capabilities of the above mentioned two senior management executives were gained from the training that they received in different positions and therefore we encourage our Talents not to view “career development” only, but to think about “personal capability development” fundamentally. At the same time, we encourage Talents to take long term or at least three months’ internal rotation, to get in touch with tasks that are completely different or where they have no prior knowledge. This will help to keep the learning ability, adaptability and “fighting power” of our Talents on the one hand, and we also hope to enrich our Talents on the Group’s business and different positions to build more comprehensive skillsets which will become an important milestone in personal growth.

## OUR DREAM

On different occasions, we were asked whether we think HKTVmall is successful, and what will the future direction be. To us, HKTVmall is a success in terms of business performance, and it is one of the few online shopping operations globally, which can turnaround and make profit in just five years. In terms of technology innovation, HKTVmall successfully proved the operation model for eCommerce in Hong Kong, and how to change business and support operations with technology.

Most importantly, HKTVmall is not only a commercial operation, it is also a place for us and our team to demonstrate our capability and to realize our dream. We target to have approximately 50% profit coming from technology business under Shoalter in 5 years’ time, and our dream is to lead this Group to become an international technology enterprise valuing at multi billions dollars.

**Cheung Chi Kin, Paul**

*Chairman*

**Wong Wai Kay, Ricky**

*Vice Chairman*

Hong Kong, 26 August 2021

# Discussion and Analysis

## OPERATION HIGHLIGHTS

In thousands of Hong Kong dollars unless specified

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in percentage
<b>On order intake</b>			
Gross Merchandise Value ("GMV") <sup>1</sup>	<b>3,040,000</b>	2,746,512	10.7%
Average Daily Order Number (rounded to the nearest hundred)	<b>36,100</b>	29,700	21.5%
Average Order Value (HK\$) (rounded to the nearest dollar)	<b>465</b>	508	(8.5%)
Combined Unique Customers (rounded to the nearest thousand)	<b>896,000</b>	813,000	10.2%
	For the month ended 30 June 2021	For the month ended 30 June 2020	Change in percentage
<b>On order intake</b>			
Gross Merchandise Value ("GMV") <sup>1</sup>	<b>492,573</b>	430,956	14.3%
Average Daily Order Number (rounded to the nearest hundred)	<b>36,500</b>	29,800	22.5%
Average Order Value (HK\$) (rounded to the nearest dollar)	<b>449</b>	483	(7.0%)

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

## FINANCIAL HIGHLIGHTS

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

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in percentage
GMV on completed orders <sup>2</sup>	<b>3,028,488</b>	2,689,307	12.6%
Turnover	<b>1,518,127</b>	1,339,982	13.3%
EBITDA <sup>3,4</sup>	<b>148,110</b>	151,135	(2.0%)
EBITDA <sup>4</sup> margin* (in %)	<b>4.9%</b>	5.6%	(0.7%)
Adjusted EBITDA <sup>3,5</sup>	<b>144,445</b>	159,412	(9.4%)
Adjusted EBITDA margin* (in %)	<b>4.8%</b>	5.9%	(1.1%)
Profit for the period	<b>95,804</b>	109,277	(12.3%)
Profit attributable to shareholders of the Company	<b>95,826</b>	109,277	(12.3%)
Net profit margin* (in %)	<b>3.2%</b>	4.0%	(0.8%)
Capital expenditure — Property, plant and equipment (excluded other properties leased for own use)	<b>49,860</b>	45,764	9.0%

\* As a percentage of GMV on completed orders

	As at 30 June 2021	As at 31 December 2020	Change in percentage
Cash position <sup>6</sup>	<b>849,577</b>	942,479	(9.9%)
Other financial assets	<b>387,503</b>	342,316	13.2%
Total equity attributable to equity shareholders of the Company	<b>2,217,587</b>	2,097,688	5.7%
Total equity	<b>2,217,565</b>	2,097,688	5.7%
Number of shares in issue (in thousands)	<b>916,321</b>	911,274	0.6%
Net asset per share (HK\$)	<b>2.42</b>	2.30	5.2%

<sup>2</sup> 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, cancellation and returns of merchandise, and is before the deduction of certain HKTVmall dollars and promotional coupon which is considered as advertising and marketing expenses under management reporting purpose.

<sup>3</sup> EBITDA and adjusted EBITDA 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 profit 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.

<sup>4</sup> EBITDA means profit for the period plus interest on bank loans (excluded finance costs — interest on lease liabilities), income tax expense, depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use) and amortisation of intangible assets and deduct investment returns.

<sup>5</sup> Adjusted EBITDA means EBITDA adjusted by major non-cash items and excluded the government subsidies.

<sup>6</sup> Cash position means cash and cash equivalents.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### RECONCILIATION OF ADJUSTED EBITDA

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
Profit for the period	95,804	109,277
Income tax expense	747	142
Interest on bank loans (excluded finance costs — interest on lease liabilities)	–	1,855
Investment returns <sup>7</sup>	(9,856)	(16,156)
Depreciation — on property, plant and equipment (excluded depreciation on other properties leased for own use)	54,765	49,483
Amortisation on intangible assets	6,650	6,534
<b>EBITDA</b>	<b>148,110</b>	151,135
Major non-cash items:		
Valuation (gains)/losses on investment properties	(9,950)	4,400
Net exchange (gain)/loss	(1,119)	2,559
Provision of expected credit losses on debt securities measured at FVOCI	151	5,090
Unrealised fair value loss on units in investment funds measured at FVPL	2,080	5,908
Equity-settled share-based payment expenses	4,276	6,586
Write-off of goodwill	897	–
Government subsidies	–	(16,266)
<b>Adjusted EBITDA</b>	<b>144,445</b>	159,412

<sup>7</sup> Investment returns include bank interest income, dividend and investment income from other financial assets, interest income from other financial assets and loss on disposal of other financial assets.

## BUSINESS REVIEW

### eCommerce Business — HKTVmall, cash cow of HKTV Group

1H2021 is the second interim results of HKTV Group with profitable business performance brought from the continued growth of HKTVmall, which now becomes the growing cash cow of the Group, as the primary means to substantiate the future development need, and to reward our shareholders who have been very supportive to our eCommerce journey.

2021 is a challenging year globally and locally, everyone eager for economy rebound while in the meantime, facing the difficulties brought from swift change of COVID-19 condition. At HKTVmall, to certain extent, we are also facing the ups and downs in the local economy but embraced by our dynamic and actionable management style, we always response swiftly aiming to capture most of the business opportunities rather than just stick with the business plan set at the outset of the year. This characteristic allowed us to continue holding the leading position in Hong Kong's eCommerce market.

### HKTVmall versus Hong Kong Retail Market

The local economy and high unemployment rate were still under severe impact of COVID-19 pandemic though according to the June 2021 Report on Monthly Survey of Retail Sales<sup>8</sup> ("June 2021 Retail Sales Report"), there was an overall improvement in Hong Kong's total retail sales by 8.4% in the first half of 2021 ("1H2021") when comparing to the first half of 2020 ("1H2020"). However, comparing to same month last year, the improvement was in fact on declining trend, for example, May 2021 versus May 2020, and June 2021 versus June 2020, the total retail sales were improved by 10.4% and 5.8% respectively. Moreover, if comparing to pre-pandemic condition, 1H2021's total retail sales were 27.7% below those in first half of 2019. In this regard, the overall retail market in Hong Kong was still in its winter, though it's not as cold as in 2020.

Under this tough economic environment, we stand firm on our proven eCommerce direction and rise to the challenge, as always. At HKTVmall, during 1H2021, HK\$3.04 billion GMV on order intake was achieved which represented a growth of 10.7% versus 1H2020. Our growth was moderate relative to previous years but comparing to the market, our performance was still on overall increasing trend. Comparing to same month last year, for May 2021 versus May 2020, and for June 2021 versus June 2020, the GMV on order intake were improved by 8.9% and 14.3% respectively. Moreover, relative to the 2021 guidance on GMV on order intake, 1H2021 achieved 43.4% to 46.1% of the HK\$6.6 billion to HK\$7.0 billion which was in line with previous years' growth performance.

As depicted in the below graph, overall, HKTVmall's performance is always on growth direction, in particularly outperformed the Hong Kong retail market since 2019 after we resolved the major fulfilment capacity bottleneck by automation.

Trend on Hong Kong retail sales<sup>8</sup> versus HKTVmall's GMV on order intake performance



<sup>8</sup> Source: Report on Monthly Survey of Retail Sales June 2021, Census and Statistics Department of Hong Kong Special Administrative Region.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Moreover, according to this June 2021 Retail Sales Report, HKTVMall's GMV on order intake accounted for more than 50% of 2020 and 1H2021 Hong Kong's Non-Store Retailing Value. All these figures have largely substantiated HKTVMall's value and contribution in accelerating Hong Kong's retail digitalisation process, and our leading position in the Hong Kong eCommerce market.

### Stabilised gross profit margin and blended commission rate

Stabilised total gross profit margin and blended commission rate was achieved in 1H2021 at 24.5% versus 24.8% in 1H2020.

#### Gross profit margin and blended commission rate

In thousands of Hong Kong dollars unless specified except for ratios

<b>On completed orders and on adjusted basis<sup>9</sup></b>	<b>For the six months ended 30 June 2021 HK\$'000</b>	For the six months ended 30 June 2020 HK\$'000
<b>Direct merchandise sales</b>		
GMV on completed orders <sup>9,10</sup>	<b>1,013,665</b>	939,411
Cost of inventories	<b>(755,180)</b>	(676,483)
Gross profit	<b>258,485</b>	262,928
Gross profit margin	<b>25.5%</b>	28.0%
<b>Income from concessionaire sales and other service income</b>		
GMV on completed orders <sup>9</sup>	<b>2,014,823</b>	1,749,896
Merchant payments (net off by other service income)	<b>(1,531,296)</b>	(1,346,737)
Income from concessionaire sales and other service income <sup>11</sup>	<b>483,527</b>	403,159
Blended commission rate	<b>24.0%</b>	23.0%
<b>Total GMV on completed orders<sup>9</sup></b>	<b>3,028,488</b>	2,689,307
<b>Total gross profit and income from concessionaire sales and other service income<sup>10,11</sup></b>	<b>742,012</b>	666,087
<b>Total gross profit margin and blended commission rate</b>	<b>24.5%</b>	24.8%
<b>Multimedia advertising income and licensing of programme rights</b>		
Multimedia advertising income	<b>47,960</b>	9,950
Other programme license income	<b>101</b>	173
	<b>48,061</b>	10,123
Gross contribution from Multimedia Business	<b>790,073</b>	676,210
Gross contribution margin	<b>26.1%</b>	25.1%

<sup>9</sup> 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, cancellation and returns of merchandise, and is before the deduction of certain HKTVMall dollars and promotional coupon which is considered as advertising and marketing expenses under management reporting purpose.

<sup>10</sup> For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVMall dollars of HK\$3,087,000 (for the six months ended 30 June 2020: HK\$3,282,000) and use of promotional coupon of HK\$22,937,000 (for the six months ended 30 June 2020: HK\$10,840,000).

<sup>11</sup> For income from concessionaire sales and other service income, it is before the deduction of net HKTVMall dollars of HK\$1,102,000 (for the six months ended 30 June 2020: addition of HK\$1,411,000) and included merchant annual fee amortisation and other service income.

1. Direct merchandise sales (namely "1P" or Self owned inventory)

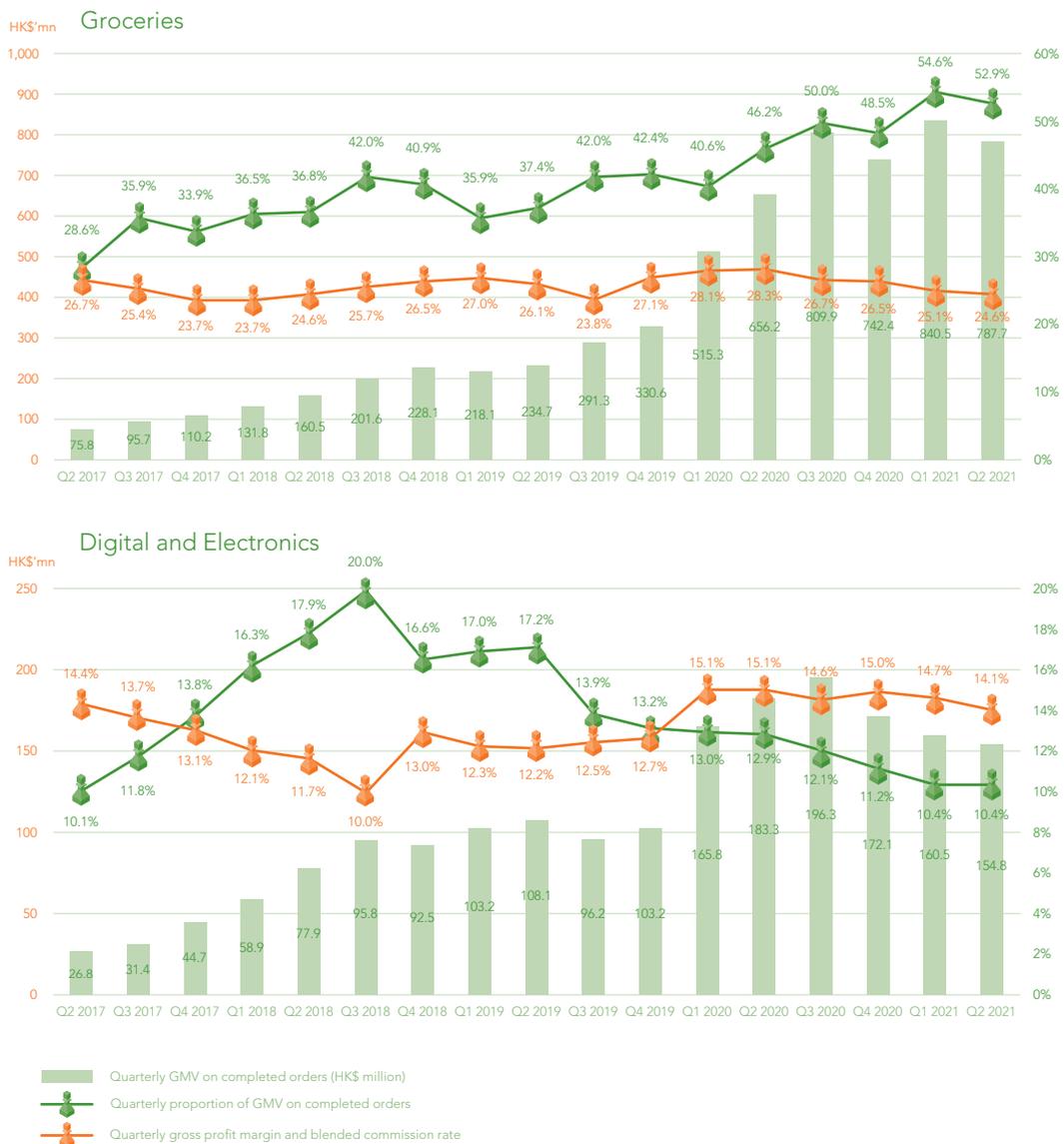
During the period, the groceries and supermarket segment was highly competitive given the price cut in offline supermarket chains for business recovery from COVID-19 pandemic. In order to maintain online groceries competitiveness for recurring traffic and to drive growth on concessionaire sales, we have adjusted the price offering at HKTVmall which resulted in a lower gross margin at 25.5% versus 28.0% in 1H2020.

This strategy has successfully retained monthly user traffic at around 1.5 million unique users (App only) and also drove groceries to attribute to 53.8% of 1H2021 GMV on completed orders (1H2020: 43.6%) which is a strong repeated purchase driver for HKTVmall. 1P attributed to about 33.5% of total GMV on completed orders in 1H2021 (1H2020: 34.9%).

2. Concessionaire sales (namely "3P" or 3rd Party Sales)

The blended commission rate has grown from 23.0% in 1H2020 to 24.0% in 1H2021. Moreover, embraced by the strong repeated purchase catalyst from groceries, the GMV on order intake for 3P has increased by 15.1% versus 1H2020. 3P attributed to about 66.5% of total GMV on completed orders in 1H2021 (1H2020: 65.1%).

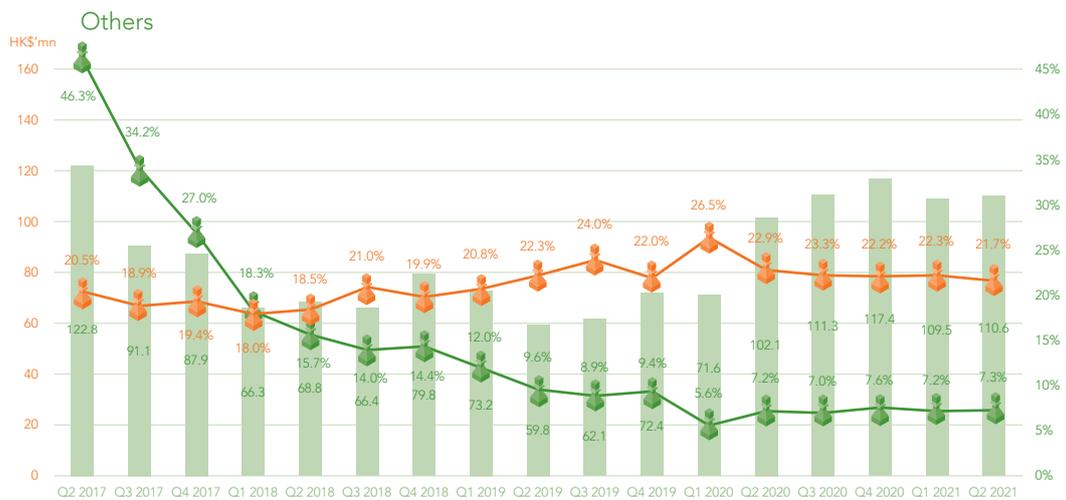
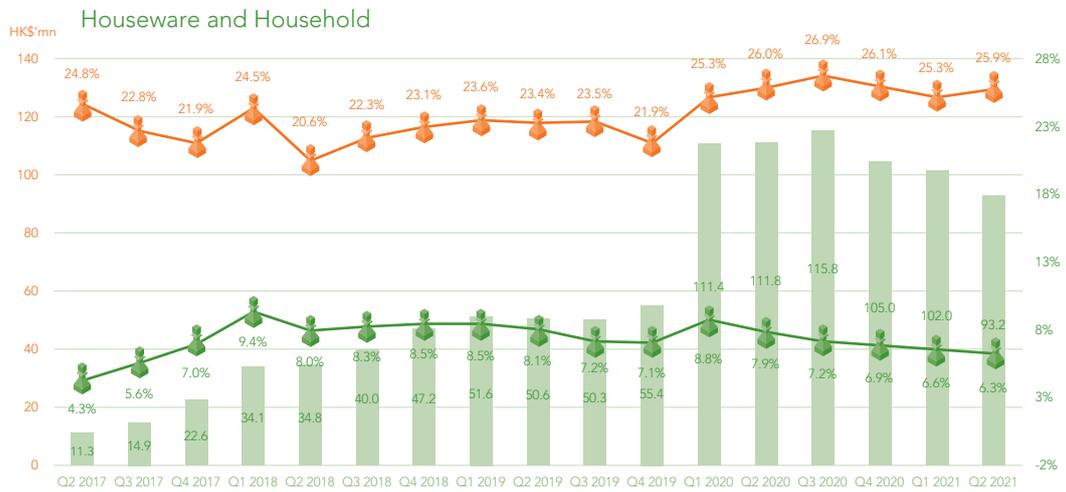
On product category basis, the gross profit margin and blended commission rate trend is summarised as below:



# MANAGEMENT'S DISCUSSION AND ANALYSIS



- Quarterly GMV on completed orders (HK\$ million)
- Quarterly proportion of GMV on completed orders
- Quarterly gross profit margin and blended commission rate



- Quarterly GMV on completed orders (HK\$ million)
- Quarterly proportion of GMV on completed orders
- Quarterly gross profit margin and blended commission rate

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### High margin rising multimedia advertising income

In January 2021, HKTVmall has added Live Shopping Channel at HKTVmall App, after the initial launch at HKTVmall's Facebook page in July 2020. This new advertising format is getting more and more popular not only to welcome brands and retailers, but also small-to-medium size retailers which now can have their selected products to be pushed in front of the consumers by vivid introduction and immediate shopping.

Aided by this new format plus additional digital advertising spaces and formats opened up for booking in 2021, HK\$48.0 million multimedia advertising income was earned in 1H2021, almost 5x growth comparing to 1H2020, and represented 68.5% of FY2021 guidance of HK\$70.0 million. The harvesting was started well to capture further upside from expanding merchant and supplier base, and the opening to 3rd party advertising clients.

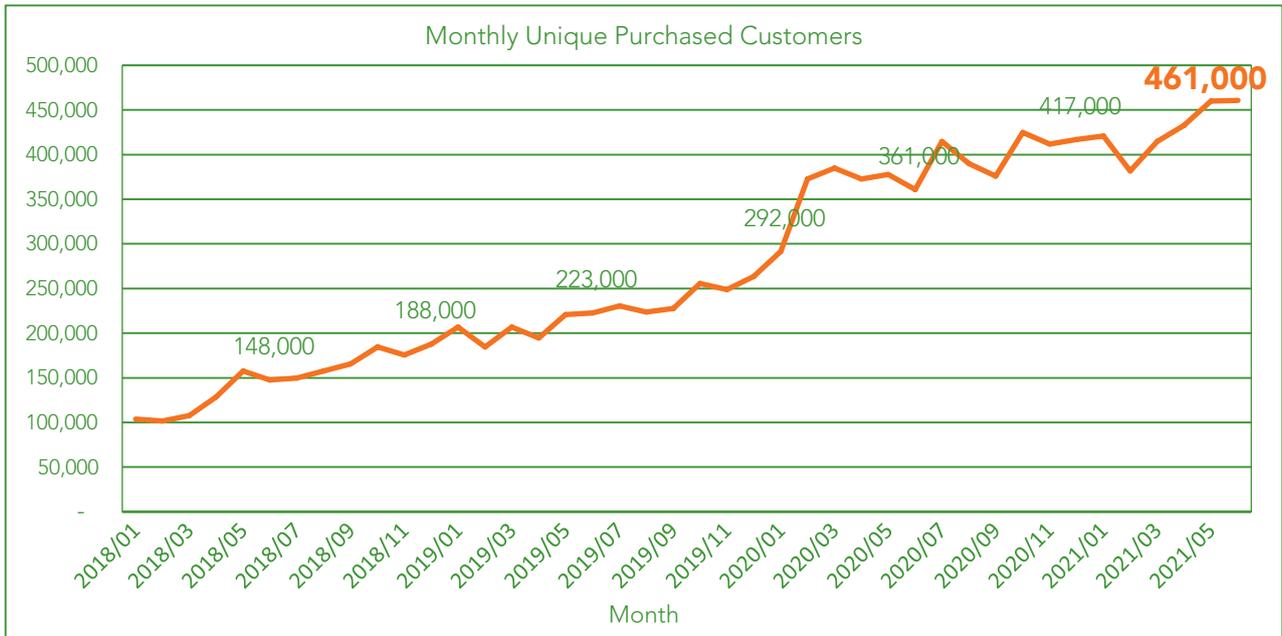
### Customer wake up program and new customer acquisition

During the period, HKTVmall has put focus on customer wake up and new customer acquisition. Hence, different marketing campaigns were launched aggressively to improve "customer quality" in terms of customer purchase frequency and age span, such as,

1. sleeping customer wake up programs to reactivate them for making purchases at HKTVmall and to stimulate a quicker turnaround of repeated purchases;
2. Wednesday 10% off for Senior Club members to attract new customers in golden and silver hair group and to nurture their regular purchase pattern. Now we have more than 61,000 members in our Senior Club.

Moreover, we also experienced full period effect on Weekend Wet Market program, and also snowball effect from increasing usage on Citi HKTVmall co-brand credit card and VIP members on every Thursday VIP day 5% off offer, etc.

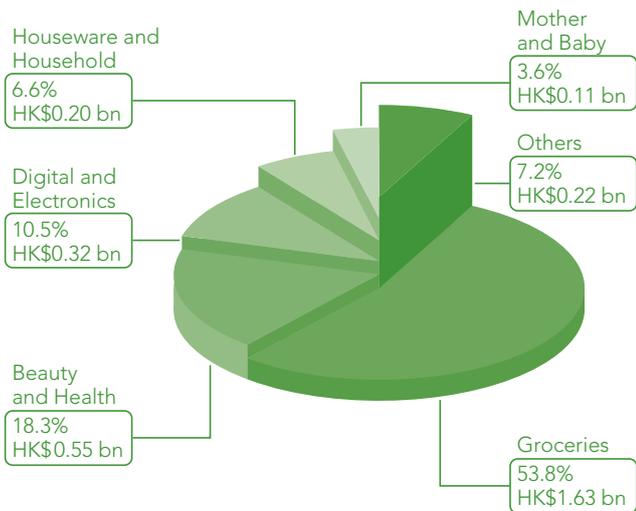
All these new marketing initiatives and momentum brought forward from 2020 have continued to push up the average daily orders which was 35,700 orders in January 2021 and gradually increased to 40,600 in July 2021. Moreover, the number of unique customers purchased in each month keeps increasing. In June 2021, we have a record high of monthly unique customers at 461,000, representing a 27.3% year-on-year growth. In July 2021, it further increased to 482,000.



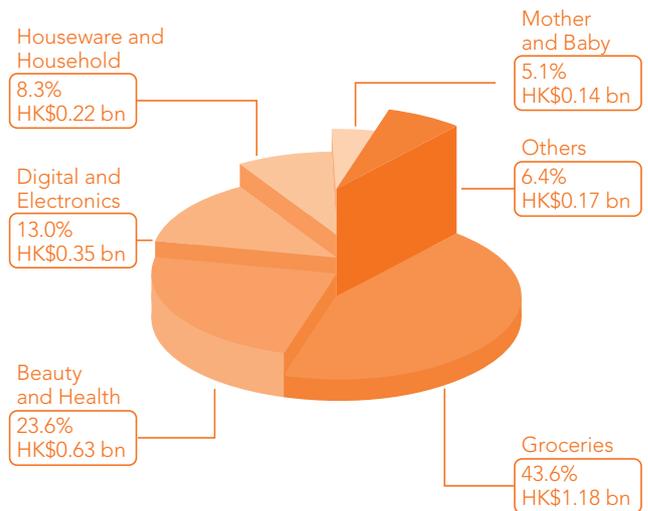
These marketing programs have also attributed to the growth of groceries which is usually the entrance point at HKTVMall online shopping.

Below is the distribution of GMV on completed orders based on major product categories. Groceries has substantially increased from attributing to 43.6% of GMV on completed orders in 1H2020 to 53.8% in 1H2021, which forms the fundamental for driving for O2O conversion for other product categories along economic recovery over time.

**1H2021 GMV on Completed Orders: HK\$3.03 bn**



**1H2020 GMV on Completed Orders: HK\$2.69 bn**



The growth in GMV and also the average daily order numbers are contributed by over 5,800 merchants and suppliers partnering with us at HKTVMall, which further enrich the product offerings to more than 600,000 items.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Expanding customer base and improving customer quality

Embraced by the series of marketing initiatives, other than business growth, the customer base is expanding over time and the monthly unique customer numbers were almost reaching record high every month in 1H2021, from December 2020 of 417,000 unique customers which increased to 461,000 in June 2021, and further increased to 482,000 in July 2021. During 1H2021, we had 896,000 unique customers whom made purchases at HKTVmall, an increase from 813,000 unique customers in 1H2020.

Other than customer base, we also maintained a stabilised quarterly average purchase frequency per customer at 4.62x in Q2 2021 versus 4.53x in Q2 2020, and the average main categories purchased per customer at 2.90 main categories in Q2 2021 versus 3.09 main categories in Q2 2020. Further to the significant increment in number of unique customers and stabilised purchase frequency, an increasing portion of these parameters are becoming more “sticky” to HKTVmall. For customer base who is purchasing 4 orders or above in 6 months, this has been expanding from 32.9% in 1H2019 to 44.9% in 1H2021, showing a strong signal of growing “loyalty customer group”. It brings HKTVmall a strong customer foundation for further business growth in different areas.

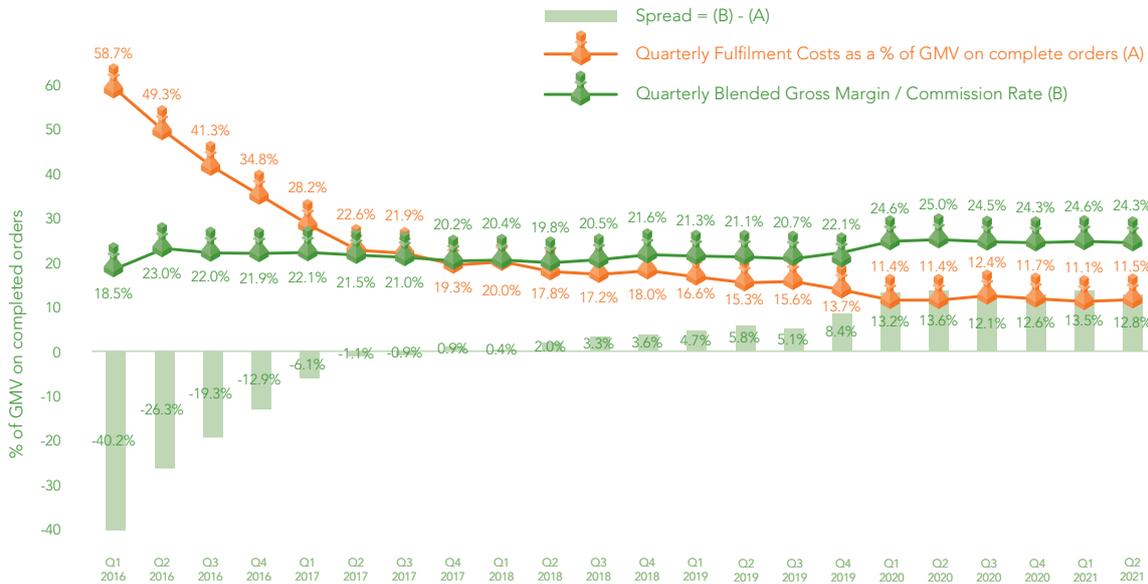
### eCommerce technical enrichment

This growing and solid digital customer base is the fundamental growth engine for our eCommerce enrichment development and business initiatives. During 1H2021, certain initiatives were launched to continuously engaging consumers and merchant partners, with key highlight as below:

1. **Pre-owned goods marketplace — EcoMart**, an exclusive marketplace at HKTVmall for all our customers who can upload their idle items to this platform to trade, exchange or give away as a gift to other customers. The purpose of EcoMart is not only to endow idle items with new value so as to reduce wastage, but also to encourage sustainable shopping and to solidify customer loyalty.
2. **1-hour delivery option — HKTVexpress**, launched in mid-April 2021 at self-run O2O shops by providing as quick as 1-hour delivery service to customers within 2 kilometres of the O2O shop, aiming to serve the customer segment with immediate grocery needs. This option has been extended to our merchant partners including restaurants which have registered for this service. Now, we have covered more than 3,000 restaurants, O2O stores and merchant stores, providing express delivery option to customers with restaurant meals, grocery items and other categories as well.
3. **Interactive content production — Live Shopping Channel**, is providing multiple education and branding content information in addition to sales-driven information. Moreover, partnering with single merchant to host a designated hourly program is proven as an effective sales channel. On average, over 26x GMV increment caused by live shows for single merchant was recorded in July 2021. It is also a rising star for us to receive more multimedia advertising income.
4. **Adoption of online live for a specific customer segment — HKTVmall Lite App**. To have closer engagement with elderly segment, mini-game was introduced in late November 2020. A significant change in “customer quality” of HKTVmall Lite App users was identified. In Q2 2021, game players visited our HKTVmall Lite App more frequently than non-game players by about 204%. On top of drawing more app traffic, we noticed that game players spent 128% more than non-game players.

**Planned and Disciplined Fulfilment Cost Efficiency**

By absorbing the experience in July 2020 from sudden surge in GMV and shortfall in frontline manpower due to the Group's home quarantine policy for Talents and customers' protection, we have implemented various measures in Q4 2020 to have certain provisioning of fulfilment resources by in-house manpower and 3rd party logistics partners. Together with the scalable automation completed in prior years, in 1H2021, we achieved a stabilised fulfilment operation with fulfilment costs as a % of GMV on completed orders at 11.3% versus 11.4% in 1H2020.



Remark: Quarterly fulfilment costs as a % of GMV on completed orders for year ended 31 December 2019, 31 December 2020 and six months ended 30 June 2021 are adjusted to exclude interest on lease liabilities of HK\$4.8 million, HK\$5.9 million and HK\$2.5 million respectively which arising from the adoption of HKFRS 16 since 2019.

To prepare for future growth of HKTVmall and considering the 6-9 months' lead time required for the set-up of new fulfilment centre including cold fulfilment process, in June 2021, we have entered into a long term lease for the 6th logistic centre effective from 1st July 2021 for additional fulfilment capacity in Tsing Yi. Given the absorption of additional fixed operating costs for this new centre, we retain the 2021 guidance on fulfilment costs ratio at 11.9%.

**Technology Business — Shoalter**

A year ago, riding on our innovative and technology DNA, we added a new role to HKTV Group — being a Technology Enabler. Our first pillar is to commercialise our self-developed eCommerce solution, and act as a service provider to enable local and global retail participants and investors to build their online shopping mall in a short timeframe.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Expanding technical capabilities

Since October 2020, we started to set up our first overseas R&D centre in Taiwan, and now together with Hong Kong R&D centre, we have about 300 technical professionals and experienced project management team working on local and international technology business development.

### Progress on EESE — first local showcase

Very soon after we announced this new initiative in August 2020, in December 2020, we signed a contract with our first client — I.T to provide the hardware and software system as a service to support the set-up of its online shopping mall — “EESE”. In a few months’ time, we will be seeing the official launch of EESE. By then, Hong Kong will have two online shopping malls powered by Shoalter’s end-to-end eCommerce solution.

While HKTVmall is more on mass market products and EESE shall position for more upmarket product segments, these two online shopping malls shall attract and enable a wider range of merchants to the digital landscape, and to enrich the product portfolio to consumers in different needs. Moreover, merchants can set up and operate their virtual stores on the two platforms by riding on one single system, which should have eliminated a lot of pain points in their eCommerce operation.

We look forward to the grand launch of EESE in Q4 2021 which we believe shall bring a different perspective to Hong Kong’s eCommerce market.

## FINANCIAL REVIEW

During 1H2021, the local economy of Hong Kong remained below its pre-pandemic level as inbound tourism remained frozen amid travel restrictions worldwide and the slow improvement on the labour market weighed on consumer sentiment, nevertheless, the Group recorded a 12.6% growth on GMV on completed orders reaching HK\$3,028.5 million comparing to 1H2020 of HK\$2,689.3 million.

In 1H2021, the Group’s turnover increased by 13.3% to HK\$1,518.1 million (1H2020: HK\$1,340.0 million) which is composed of:

1. HK\$987.6 million from direct merchandise sales (1H2020: HK\$925.3 million);
2. HK\$482.4 million from concessionaire sales and other service income (1H2020: HK\$404.6 million); and
3. HK\$48.1 million from multimedia advertising income and licensing of programme rights (1H2020: HK\$10.1 million).

With the 6.7% growth in direct merchandise sales, the cost of inventories increased to HK\$755.2 million in 1H2021 (1H2020: HK\$676.5 million), representing an 11.6% increase.

In 1H2021, other operating expenses increased by HK\$121.8 million to HK\$696.8 million as compared to HK\$575.0 million incurred in 1H2020. Among the other operating expenses, fulfilment costs, marketing, promotional and O2O shop operating expenses, and eCommerce operation and supporting costs are considered as key operating expenses items for running the eCommerce business, which as a percentage of GMV on completed orders, has increased from 19.4% in 1H2020 to 21.4% in 1H2021. The breakdown is as below:

	1H2021		1H2020	
	As a % of GMV on completed orders	HK\$ million	As a % of GMV on completed orders	HK\$ million
<b>Fulfilment costs (note 1)</b>	11.3%	343.4	11.4%	306.6
<b>Marketing, promotional and O2O shop operating expenses (note 2)</b>	4.8%	146.3	2.9%	79.1
<b>eCommerce operation and supporting functions (note 3)</b>	5.2%	157.5	5.1%	136.6
<b>eCommerce business key operating expenses</b>	21.4%	647.2	19.4%	522.3
<b>Technology business key operating expenses</b>		8.3		–
<b>Total key operating expenses</b>		655.5		522.3
<b>Major non-cash items (note 4)</b>		68.4		65.4
<b>Less: Marketing, promotional and O2O shop operating expenses deducted in turnover</b>		(27.1)		(12.7)
<b>Total other operating expenses</b>		696.8		575.0

Notes:

- Included depreciation — other properties leased for own use of HK\$21.8 million (1H2020: HK\$20.9 million), excluded interest on lease liabilities of HK\$2.5 million (1H2020: HK\$3.0 million).
  - Included HKTVmall dollars and promotional coupon of HK\$27.1 million (1H2020: HK\$12.7 million) being deducted in turnover, included depreciation — other properties leased for own use of HK\$27.5 million (1H2020: HK\$21.2 million), and excluded interest on lease liabilities of HK\$1.0 million (1H2020: HK\$1.3 million).
  - Included depreciation — other properties leased for own use of HK\$1.7 million (1H2020: nil), excluded interest on lease liabilities of HK\$0.1 million (1H2020: nil).
  - Excluded depreciation — other properties leased for own use of HK\$51.0 million (1H2020: HK\$42.1 million).
- (1) **Fulfilment costs** incurred for warehousing and logistics functions included shop pick up costs allocation. Operational efficiency keep improving mainly attributed to the full period benefit from the launch of cross-belt sorter system located in Tuen Mun fulfilment centre in February 2020 as well as the efficiency gained from the increase in average daily orders from 29,700 in 1H2020 to 36,100 in 1H2021.

As a result, the total fulfilment costs as a percentage of GMV on completed orders decreased from 11.4% in 1H2020 to 11.3% in 1H2021.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- (2) **Marketing, promotional and O2O shop operating expenses** in 1H2021 included promotional coupons and HKTVmall dollar grant, digital marketing, promotional leaflet, O2O shop running and marketing costs, etc., and all related functions' Talent costs.

Including the HK\$27.1 million (1H2020: HK\$12.7 million) Mall Dollars granted and promotional coupons used which was deducted in the turnover, the total expenses accounted for 4.8% of GMV on completed orders (1H2020: 2.9%) at HK\$146.3 million (1H2020: HK\$79.1 million).

The increase in cost percentage mainly caused by aggressive wake up program on sleeping customers, stimulation program to drive for repeated purchase, promotion to engage users to new enrichments such as Senior Club for HKTVmall Lite app and HKTVexpress, private and public housing penetration, and to expand O2O shop network to 94 shops. The lower than usual cost percentage at 2.9% for 1H2020 was due to the controlled spending in rising seriousness of the COVID-19 pandemic and hence less promotion is required.

- (3) **eCommerce operation and supporting costs** includes payment processing charges, merchant relations and acquisition, customer service, information technology for eCommerce business, and other supporting functions. The eCommerce operation and supporting costs maintained at 5.2% in 1H2021 versus 5.1% of GMV on completed orders in 1H2020. The increase in absolute costs of HK\$20.9 million was mainly due to the overall increase in talent costs driven by the pay rise of certain directors and increase in headcount for the relevant functions during the period under review.

On major non-cash items, mainly include depreciation on property, plant and equipment, amortisation of intangible assets and equity-settled share-based payment. There was an HK\$5.3 million increase in depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use) mainly due to the full period depreciation effect for the launch of cross-belt sorter system in Tuen Mun distribution centre in February 2020, additional delivery trucks and O2O shops added in 2020 and 2021, and system and network server expansion. Moreover, there was equity-settled share-based expenses of HK\$4.3 million recorded in profit or loss in 1H2021 (1H2020: HK\$6.6 million).

During 1H2021, a valuation gain on investment properties of HK\$10.0 million (1H2020: loss of HK\$4.4 million) was recognised based on the valuation carried out by an independent firm of surveyors.

Other income, net, of HK\$24.2 million was earned in 1H2021 (1H2020: HK\$31.5 million), which mainly composed of investment returns generated from other financial assets and bank deposits of HK\$9.9 million (1H2020: HK\$16.2 million), rental income from investment properties of HK\$11.9 million (1H2020: HK\$11.9 million), offset by the unrealised fair value loss on units in investment funds measured at FVPL of HK\$2.1 million (1H2020: HK\$5.9 million), provision for expected credit losses on debit securities measured at FVOCI of HK\$0.2 million (1H2020: HK\$5.1 million), and net exchange gain of HK\$1.1 million (1H2020: loss of HK\$2.6 million), there was a HK\$16.3 million government subsidies recognised in 1H2020 whereas no such subsidies in 1H2021.

The decrease in bank interest income and returns from investment in other financial assets of HK\$6.3 million was mainly due to the realisation of a portion of the investment portfolio in second half of year 2020 to reduce the market and financial risk exposure on investment.

Finance costs is mainly composed of interest on lease liabilities of HK\$3.6 million (1H2020: HK\$4.3 million). There was an interest on bank loans of HK\$1.9 million in 1H2020 whereas no interest on bank loan in 1H2021.

Overall, the Group achieved a net profit of HK\$95.8 million in 1H2021 relative to HK\$93.0 million (excluded government subsidies of HK\$16.3 million) in 1H2020.

If excluded the expenses (included major non-cash items) incurred by Shoalter technology business, the net profit for the Hong Kong eCommerce business for 1H2021 was HK\$104.7 million versus HK\$93.0 million (excluded government subsidies of HK\$16.3 million) in 1H2020.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2021, the Group had total cash position representing cash and cash equivalents of HK\$849.6 million (31 December 2020: HK\$942.5 million). The decrease in total cash position was mainly due to net investment in financial assets of the investment portfolio of HK\$44.7 million, the capital and interest element of lease rentals of HK\$53.9 million, payment made for purchases of property, plant and equipment of HK\$80.0 million, partially net off the cash inflow generated from operating activities of HK\$57.6 million, proceeds received from disposal of property, plant and equipment of HK\$1.2 million, net investment income received of HK\$9.6 million and net proceeds of HK\$17.3 million from issuance of new shares for exercised share options during the period.

On investment in other financial assets, the Group has invested, at fair value, HK\$387.5 million as at 30 June 2021 (as at 31 December 2020: HK\$342.3 million). As at 30 June 2021, there was a net surplus of HK\$2.0 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2020: a net surplus of HK\$1.8 million). During the period, the total fair value change on other financial assets (after netting of expected credit losses recognised) amounted to deficit of HK\$2.0 million (for the year ended 31 December 2020: deficit of HK\$13.5 million), in which a deficit of HK\$2.2 million (for the year ended 31 December 2020: HK\$7 million), deficit of HK\$1.5 million (for the year ended 31 December 2020: deficit of HK\$2 million) and surplus of HK\$1.7 million (for the year ended 31 December 2020: deficit of HK\$4.5 million) were 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 investments that are 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 2021 and 31 December 2020, the Group has not utilised any uncommitted banking facilities, leaving HK\$936.7 million (31 December 2020: HK\$935.1 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at banks/financial institutions and in hand, and term deposits within three months of maturity, if any. As at 30 June 2021 and 31 December 2020, the Group had not pledged any bank deposits as security for the bank facilities granted by a bank for foreign exchange and interest rate hedging arrangement.

The Group was in a net cash position as of 30 June 2021 and 31 December 2020 and hence no gearing ratio was presented. The Directors are of the opinion that, after taking into consideration 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 as and when they fall due.

During 1H2021, the Group invested HK\$80.0 million on capital expenditure as compared to HK\$43.3 million in 1H2020. The capital expenditure for 1H2021 was mainly incurred for balance payment of cross-belt sorter system, new O2O shops opening, additional delivery trucks, renovation for fulfilment centre and system capacity expansion. For the upcoming capital expenditure requirements, 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fund raising activity

For the purpose of strengthening the Group's financial position and the medium term funding of its expansion and growth plan, on 11 February 2020, the Company entered into a placing agreement ("Placing Agreement") with Top Group International Limited (the "Vendor") and UBS AG Hong Kong Branch (the "placing agent") and a subscription agreement ("Subscription Agreement") with the Vendor, pursuant to which the placing agent agreed to place, on a fully underwritten basis, 90,000,000 existing ordinary shares of the Company to not less than six independent placees at HK\$5.15 per share (the "Placing"), and the Vendor agreed to subscribe for 90,000,000 new ordinary shares of the Company (the "Subscription Shares") at HK\$5.15 per share (the "Subscription"). The completion of the Placing and the Subscription took place on 14 February 2020 and 24 February 2020, respectively. The gross proceeds amounted to approximately HK\$463.5 million and the net proceeds from the Subscription amounted to approximately HK\$453.2 million. The net placing price is approximately HK\$5.04 per share. The Subscription Shares represent approximately 10.96% of the issued share capital of the Company as at the date of the Placing Agreement and the Subscription Agreement and approximately 9.88% of the issued share capital of the Company as enlarged by the Subscription. The Subscription Shares have a market value of approximately HK\$540.9 million based on the closing price of the shares as at 11 February 2020.

The Company intends to use the net proceeds from the Subscription for (1) expansion of the eCommerce and related business of the Group; and (2) as general working capital, which is consistent with the intentions disclosed in the Company's announcements dated 12 February 2020 and 24 February 2020. Details of the use of net proceeds are as follows:

Intended use of net proceeds	Amount intended to be utilised HK\$ million	Amount utilised as at 31 December 2020 HK\$ million	Amount utilised as at 30 June 2021 HK\$ million	Expected timeline of utilisation
<b>Expansion of the eCommerce and related business of the Group</b>				
(i) Expansion of e-fulfilment centre at Tseung Kwan O Headquarters	200	1.1	3.5	By the end of 2022
(ii) Adding the 6th fulfilment centre	40	–	–	By the end of 2021
(iii) Adding around 200 to 250 delivery trucks	Around 90 to 110	19.5	21.6	By the end of 2023
(iv) Upgrading computer hardware and software	50	9.4	37.9	By the end of 2023
General working capital of the Group	Around 53.2 to 73.2	–	–	By the end of 2023
<b>Total</b>	<b>453.2</b>	<b>30.0</b>	<b>63.0</b>	

### Charge on Group Assets

As of 30 June 2021, the Group's banking facilities of HK\$936.7 million were secured by the Group's other financial assets of HK\$173.4 million and cash of HK\$44.6 million held by various banks.

### Exchange Rates

All of 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 dollar and the Renminbi arising from its investments mainly in Renminbi fixed income products or term deposits, and between the Hong Kong dollar 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 2021 and 31 December 2020, the Group had no material contingent liabilities or off-balance-sheet obligations.

## PROSPECTS

### eCommerce Business — HKTVmall

In the past 12–18 months, there were increasing online participants joining or becoming more active in the virtual retail landscape, we are glad to see more retailers joining the force to accelerate the retail digitisation process as this proved the online demand is in the market. We even saw some merger and consolidation activities happened bringing certain small scaled eCommerce players together, though we are hesitant on their prospect ahead. Some people may worry about this phenomenon will create competition which may slow down or jeopardise HKTVmall's business, yet we consider a successful evolution will never be only with one player — we need participants to track and bring up the winner. In the online retailing space, it is no doubt that HKTVmall is the dominant, largest, domestic-grown online shopping mall in Hong Kong.

While some online players who have already been in the market far before we launched HKTVmall in 2015, and still have headache on how to get and handle 10,000 product items, how to get and fulfil 5,000 online customer orders every day, how to get over 1 million real active customers, how to turn EBITDA level profitable, at HKTVmall, we have jumped the queue and turned profitable since 2020.

We have achieved HK\$3.04 billion GMV on order intake in 1H2021, HK\$566.0 million in July 2021 and is estimated to achieve approximately HK\$620.0 million to HK\$630.0 million in August 2021 which could be a new record high and bring good momentum to the business forward.

Going forward, we will be more focusing on **expanding the depth and breadth of HKTVmall's online merchant and customer portfolio, expanding multimedia advertising revenue stream** and **continue to complete HKTVmall platform by adding technical enrichments** for better engagement. In particular, in 2H2021, we shall solidify and grow our customer and merchant base through various campaigns, below are a few examples for tracking down these targets:

#### A. Accelerating online and offline synergy

Though with only 400 to 800 square feet in average, HKTVmall O2O shops are making business in 3 areas: POS transaction, shop pick up option for online purchased customers, as well as extending to HKTVexpress services. The O2O strategy enables us to maximise the cost efficiency of retail operation, as well as a multiple touch point with end customers. In 1H2021, 55.0% of new customers' first touch points with HKTVmall are in offline channels.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### B. Public Housing Estate Penetration Campaign

A core purpose of HKTVmall is to enable online shopping to everyone and everywhere in Hong Kong. While we keep growing private housing sector in the past years, the public housing sector is still under-tapped. Based on the data between 2019 to 1H2021, the penetration rate in private housing estates was 41.2% while only 26.0% in public housing estates. We have adopted different strategy to grow the 2 different customer sectors. An exclusive and competitive promotional offer to tenants and residents in over 250 public housing estates in Hong Kong — as an ice-breaking step, each customer account and delivery address can buy one value -"\$99 Bundle Set", plus unlimited 10% off shopping discount over 10,000 selected supermarket products till end of 2021. This campaign is targeted to accelerate the offline-to-online ("O2O") conversion in the under-tapped public housing estates, and to drive for repeated purchases to become consistent recurring customers at HKTVmall.

### C. Launch of HKTV eCommerce Academy

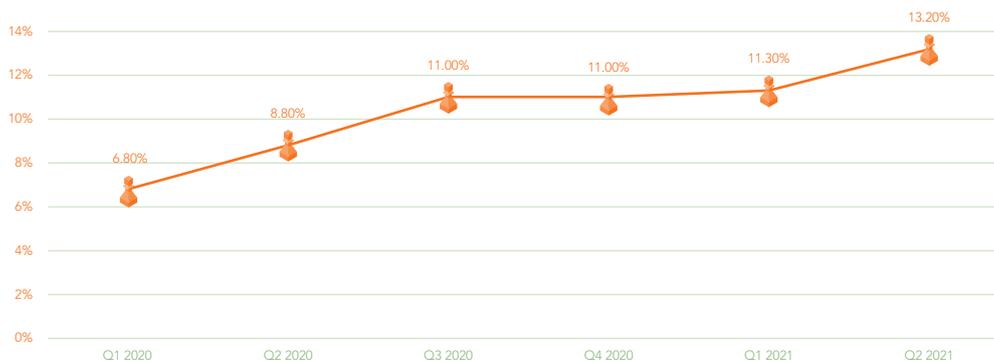
Other than customer conversion and engagement, we are also dedicated to retail participants' conversion and engagement. In mid-August 2021, HKTV officially launched a new integrated education platform "HKTV eCommerce Academy", to provide diversified training courses with topics covering 6 major areas included digital advertising, marketing, business operation, financing, etc., through various seminars, live webinars and videos from guest experts. Other than understanding the basics of planning and running an online shop, participants will also be able to formulate marketing and advertising strategies accurately and operate their own HKTVmall stores effectively with the knowledge and techniques on social media marketing, big data analytics, etc.. Participants who complete the entire course and pass all final assessments will be awarded a digital certificate.

The purpose of this Academy is to strengthen the support for all merchant partners in digital transformation and business expansion, so as to facilitate the entire digitalisation process in the Hong Kong retailing industry. This will also serve as a strong bonding tool to consistently engage our merchant partners at HKTVmall.

### D. Adoption of Personalisation Empowered by Big Data

With over 600,000 SKUs and multiple services available on HKTVmall, the consumer behaviour is more sophisticated than other online platforms. The Big Data we collected from user journey is unique and comprehensive. We have utilised these Big Data to empower personalisation logic in product recommendation based on customer purchase and browsing behaviour since Q2 2021. Our customers are now able to make an add-on order based on our recommendation, within 3 hours right after they placed the main order. Both orders will be shipped together. A significant increment in add-on order conversion rate is identified in Q2 2021 after we adopted personalisation. GMV generated per add-on order is over \$100. Personalisation empowered by Big Data brings us higher accuracy and relevancy, unlocking the further growing potentials.

Add-On Order Conversion Rate



## Technology Business — Shoalter

It's been a year since we first announced on 27 August 2020 our plan to extend HKTV's business beyond the role as an eCommerce operator and extend our foothold to beyond the Hong Kong geographical boundaries. These 365 days indeed was an exciting and encouraging journey which we have made a few BIG steps ahead towards actualising our plan, and also set the upcoming path for Shoalter:

### 1. "EESE Mall" by I.T

Shoalter Technology Limited's first client for its solution segment under Technology business — I.T is planned to launch its online shopping mall — "EESE" in Q4 2021. This is a big step forward to accelerate the digitalisation of the Hong Kong retail industry and also serve the first third party local showcase in Hong Kong.

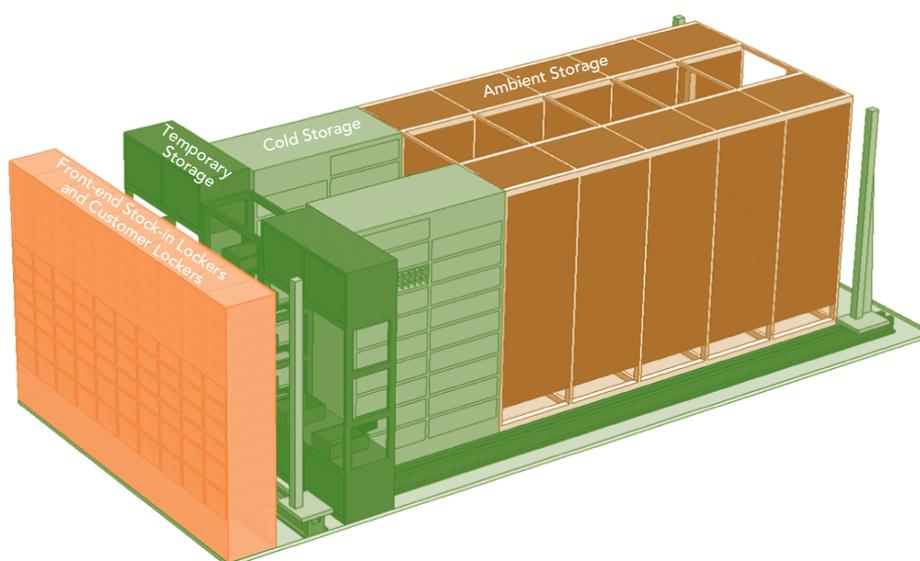
### 2. Self-Invented Automated Retail Store and System

Shoalter Automation Limited announced on 4 August 2021 the filing of its first Hong Kong standard patent application in respect of its Automated Retail Store and System invention ("Invention"), which is the first of its kind in the world.

The Invention is a large scale fully-automated storage and retailing system which utilises state-of-the-art robotics, self-designed machineries and software derived from the Group's extensive experience and knowhow in operating HKTVmall's fulfilment flow. The below innovative core features will make the Invention to bring a whole new experience in global retailing:

- a. Entirely automated selling and fulfilment flow in an offline retail shop including order taking, stock out and stock replenishment process such that no human service is required in the internal operations of the Invention;
- b. Optimisation on the store floor space utilisation enabling many more items to be stored as compared with a traditional retail store of the same size;
- c. Capability on fulfilment of multi-temperature products in various sizes, shapes and weight.

The Invention is in the final development stage and we expect to have a trial launch of the Invention in the first half of 2022 with commercial launch of about 10 stores equipped with this Invention in the same year. The target market will be developed countries which are expected to benefit the most from the Invention due to operational efficiencies in terms of reducing staffing requirements and its 7 x 24 business hours availability to customers.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 3. Strategic investment in Health and Wellness eCommerce Business in Indonesia

On 23 August 2021, Shoalter Technology International Limited (“Shoalter International”) entered into a share subscription agreement and a shareholders’ agreement to strategically invest in minority stake into PT Karya Hasta Dinamika (“PT KHD”), including the in-kind consideration in the form of provision of the use of an eCommerce software system through an eCommerce solution agreement and cash consideration (in aggregate amounting to approximately US\$5.0 million (equivalent to approximately HK\$38.9 million)). The said eCommerce software system will be used to operate PT KHD’s existing online shopping platform — KALCare omni-channel, which focuses on eCommerce for healthcare and wellness products. KALCare will become the Group’s first overseas showcase of its solution segment.

PT KHD is an indirect wholly-owned subsidiary of PT Kalbe Farma Tbk (“PT Kalbe”), a company listed in Indonesia Stock Exchange (stock code: KLBF) and is the leading pharmaceutical company and the largest healthcare provider in Indonesia, engaging in the development, manufacturing and trading of pharmaceutical preparation including medicines and consumer health products.

This investment also provides a framework for future potential strategic business cooperation between Shoalter International and PT Kalbe in other South East Asia countries, Hong Kong, Macau and Taiwan in the health and wellness eCommerce market.

The above three exciting projects are expected to set a solid foundation for Shoalter in its role as a Technology Enabler not only in the traditional retailing landscape but also in specialised industry. Shoalter shall bring HKTV Group and its home-grown eCommerce solution GLOBAL. To support the development of the above projects and also the potential projects under discussion, we are expanding our technical capabilities with the target to have a team of about 400 technical professionals and project management team, approximately half in Hong Kong and half in Taiwan for international mobility.

## TALENT REMUNERATION

Including the Directors, as at 30 June 2021, the Company had 1,920 permanent full-time Talents versus 1,818 as at 31 December 2020. 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 the share option schemes.

# UNAUDITED CONSOLIDATED Income Statement

For the six months ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Six months ended	
		30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Turnover</b>	3	<b>1,518,127</b>	1,339,982
Direct merchandise sales	3	<b>987,641</b>	925,289
Cost of inventories		<b>(755,180)</b>	(676,483)
		<b>232,461</b>	248,806
Income from concessionaire sales and other service income	3	<b>482,425</b>	404,570
Multimedia advertising income and licensing of programme rights	3	<b>48,061</b>	10,123
Valuation gains/(losses) on investment properties	10	<b>9,950</b>	(4,400)
Other operating expenses		<b>(696,839)</b>	(574,950)
Other income, net	4	<b>24,249</b>	31,530
Finance costs	5(a)	<b>(3,756)</b>	(6,260)
<b>Profit before taxation</b>	5	<b>96,551</b>	109,419
Income tax expense	7	<b>(747)</b>	(142)
<b>Profit for the period</b>		<b>95,804</b>	109,277
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>95,826</b>	109,277
Non-controlling interests		<b>(22)</b>	–
<b>Profit for the period</b>		<b>95,804</b>	109,277
<b>Earnings per share</b>	9		
<b>Basic and diluted</b>		<b>HK\$0.10</b>	HK\$0.12

The notes on pages 32 to 46 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF Comprehensive Income

For the six months ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Six months ended	
		30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Profit for the period</b>		<b>95,804</b>	109,277
<b>Other comprehensive income for the period</b>	6		
<i>Item that will not be reclassified to profit or loss:</i>			
Equity instruments designated at fair value through other comprehensive income			
— net movement in fair value reserve (non-recycling)		<b>1,648</b>	(6,477)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of overseas subsidiaries		<b>97</b>	(4)
Debt securities measured at fair value through other comprehensive income			
— net movement in fair value reserve (recycling)		<b>(1,456)</b>	(3,309)
Other comprehensive income for the period		<b>289</b>	(9,790)
<b>Total comprehensive income for the period</b>		<b>96,093</b>	99,487
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>96,115</b>	99,487
Non-controlling interests		<b>(22)</b>	—
<b>Total comprehensive income for the period</b>		<b>96,093</b>	99,487

The notes on pages 32 to 46 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF Financial Position

As at 30 June 2021 (Expressed in Hong Kong dollars)

	Note	30 June 2021 HK\$'000	31 December 2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	1,481,134	1,398,110
Intangible assets	11	62,086	59,686
Goodwill		–	897
Long-term receivables, deposits and prepayments		51,814	28,984
Other financial assets	12	294,357	324,119
		<b>1,889,391</b>	1,811,796
<b>Current assets</b>			
Other receivables, deposits and prepayments		128,792	109,360
Inventories and other contract costs		127,642	126,573
Other current financial assets	12	93,146	18,197
Cash and cash equivalents		849,577	942,479
		<b>1,199,157</b>	1,196,609
<b>Current liabilities</b>			
Accounts payable	13	249,398	319,888
Other payables and accrued charges	13	238,546	284,879
Deposits received		5,757	5,757
Tax payable		1,437	758
Lease liabilities		101,885	94,413
		<b>597,023</b>	705,695
<b>Net current assets</b>		<b>602,134</b>	490,914
<b>Total assets less current liabilities</b>		<b>2,491,525</b>	2,302,710
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,295	1,227
Lease liabilities		272,665	203,795
		<b>273,960</b>	205,022
<b>NET ASSETS</b>		<b>2,217,565</b>	2,097,688
<b>CAPITAL AND RESERVES</b>			
Share capital	16	1,771,007	1,747,693
Reserves		446,580	349,995
Total equity attributable to equity shareholders of the Company		2,217,587	2,097,688
Non-controlling interests		(22)	–
<b>TOTAL EQUITY</b>		<b>2,217,565</b>	2,097,688

The notes on pages 32 to 46 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF Changes in Equity

For the six months ended 30 June 2021 (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	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 HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2021</b>	1,747,693	123,544	183,338	3,546	(1,780)	(157)	43,330	(1,826)	2,097,688	-	2,097,688
<b>Changes in equity for the six months ended 30 June 2021:</b>											
Profit/(loss) for the period	-	95,826	-	-	-	-	-	-	95,826	(22)	95,804
Other comprehensive income	6	-	-	(1,456)	1,648	97	-	-	289	-	289
<b>Total comprehensive income</b>	-	95,826	-	(1,456)	1,648	97	-	-	96,115	(22)	96,093
Shares issued under share option scheme	16	23,314	-	-	-	-	(4,357)	-	18,957	-	18,957
Equity-settled share-based transactions	5(c)	-	-	-	-	-	4,827	-	4,827	-	4,827
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits		-	(22)	-	-	22	-	-	-	-	-
<b>Balance at 30 June 2021</b>	1,771,007	219,348	183,338	2,090	(110)	(60)	43,800	(1,826)	2,217,587	(22)	2,217,565

Note	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Revaluation 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	
<b>Balance at 1 January 2020</b>	1,293,392	(60,021)	183,338	5,499	2,710	(73)	28,589	(1,826)	1,451,608	
<b>Changes in equity for the six months ended 30 June 2020:</b>										
Profit for the period	-	109,277	-	-	-	-	-	-	109,277	
Other comprehensive income	6	-	-	(3,309)	(6,477)	(4)	-	-	(9,790)	
<b>Total comprehensive income</b>	-	109,277	-	(3,309)	(6,477)	(4)	-	-	99,487	
Shares issued under share option scheme	16	162	-	-	-	-	(46)	-	116	
Issuance of new shares	16	453,207	-	-	-	-	-	-	453,207	
Equity-settled share-based transactions	5(c)	-	-	-	-	-	6,586	-	6,586	
Share options cancelled reclassified to retained profits		-	35	-	-	-	(35)	-	-	
<b>Balance at 30 June 2020</b>	1,746,761	49,291	183,338	2,190	(3,767)	(77)	35,094	(1,826)	2,011,004	

The notes on pages 32 to 46 form part of this interim financial report.

# UNAUDITED CONDENSED CONSOLIDATED Cash Flow Statement

For the six months ended 30 June 2021 (Expressed in Hong Kong dollars)

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Profit before taxation</b>	<b>96,551</b>	109,419
Valuation (gains)/losses on investment properties	<b>(9,950)</b>	4,400
Equity-settled share-based payment expenses	<b>4,276</b>	6,586
Depreciation of property, plant and equipment	<b>105,793</b>	91,541
Amortisation of intangible assets	<b>6,650</b>	6,534
Interest income from other financial assets	<b>(6,701)</b>	(11,162)
Provision of expected credit losses on debt securities measured at fair value through other comprehensive income ("FVOCI")	<b>151</b>	5,090
Changes in working capital	<b>(130,884)</b>	117,894
Others	<b>(8,332)</b>	9,760
<b>Net cash generated from operating activities</b>	<b>57,554</b>	340,062
<b>Investing activities</b>		
Payment for the purchase of other financial assets	<b>(52,484)</b>	–
Proceeds received from disposal of other financial assets	<b>7,777</b>	112,919
Payment for the purchase of property, plant and equipment	<b>(79,993)</b>	(43,294)
Proceeds received from disposal of property, plant and equipment	<b>1,194</b>	539
Others	<b>9,589</b>	18,183
<b>Net cash (used in)/generated from investing activities</b>	<b>(113,917)</b>	88,347
<b>Financing activities</b>		
Capital element of lease rentals paid	<b>(50,322)</b>	(39,892)
Interest element of lease rentals paid	<b>(3,560)</b>	(4,257)
Net repayments of bank loans	–	(315,015)
Net proceeds from issuance of new shares	–	453,207
Proceeds from shares issued under share option scheme	<b>17,327</b>	116
Interest paid on bank loans	–	(2,871)
<b>Net cash (used in)/generated from financing activities</b>	<b>(36,555)</b>	91,288
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(92,918)</b>	519,697
<b>Cash and cash equivalents at 1 January</b>	<b>942,479</b>	149,713
<b>Effect of foreign exchange rate changes</b>	<b>16</b>	(39)
<b>Cash and cash equivalents at 30 June</b>	<b>849,577</b>	669,371

The notes on pages 32 to 46 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 Technology Venture Company Limited (the “Company” (formerly known as Hong Kong Television Network Limited)) 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 26 August 2021.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 47 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 2020 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

## 2 CHANGES IN ACCOUNTING POLICIES

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

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

# 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").

Disaggregation of revenue from contracts with customers by nature and by timing of revenue recognition are as follows:

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by nature		
— Direct merchandise sales	<b>987,641</b>	925,289
— Income from concessionaire sales and other service income	<b>482,425</b>	404,570
— Multimedia advertising income and licensing of programme rights	<b>48,061</b>	10,123
	<b>1,518,127</b>	1,339,982
Disaggregated by timing of revenue recognition		
— Point in time	<b>1,443,869</b>	1,321,389
— Over time	<b>74,258</b>	18,593
	<b>1,518,127</b>	1,339,982

### 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

## 4 OTHER INCOME, NET

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Bank interest income	147	2,583
Dividend and investment income from other financial assets	3,008	2,910
Interest income from other financial assets	6,701	11,162
Loss on disposal of other financial assets	–	(499)
Unrealised fair value loss on units in investment funds measured at fair value through profit or loss (“FVPL”)	(2,080)	(5,908)
Provision of expected credit losses on debt securities measured at FVOCI	(151)	(5,090)
Rentals from investment properties	11,887	11,887
Net exchange gain/(loss)	1,119	(2,559)
Government subsidies (Note (i))	–	16,266
Others	3,618	778
	<b>24,249</b>	31,530

- (i) In 2020, the Group successfully applied for funding support which were mainly from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their Talents. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the Talents.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank loans	–	1,855
Interest on lease liabilities	3,560	4,257
Bank charges	196	148
	<b>3,756</b>	6,260
<b>(b) Other items</b>		
Advertising and marketing expenses (excluding HK\$27,126,000 (six months ended 30 June 2020: HK\$12,711,000) being deducted in turnover)	49,384	22,873
Depreciation on property, plant and equipment (Note 10)	105,793	91,541
Amortisation of intangible assets	6,650	6,534
Gain on disposal of property, plant and equipment	(515)	(24)
Outsourced fulfilment expenses	87,346	84,831
Payment processing charges	37,419	37,711
Owned motor vehicles running expenses	16,121	12,171
Software licenses and registration fee	9,390	8,389
Utilities, consumables and office expenses	21,113	15,055
<b>(c) Talent costs</b>		
Wages and salaries	324,871	254,676
Retirement benefit costs-defined contribution plans	12,044	9,922
Equity-settled share-based payment expenses	4,827	6,586
Less: Talent costs capitalised as intangible assets and other contract costs	(12,472)	–
	<b>329,270</b>	271,184

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 each component of other comprehensive income

	Six months ended					
	30 June 2021			30 June 2020		
	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)	1,648	-	1,648	(6,477)	-	(6,477)
Exchange difference on translation of financial statements of overseas subsidiaries	97	-	97	(4)	-	(4)
Debt securities measured at FVOCI — net movement in fair value reserve (recycling)	(1,456)	-	(1,456)	(3,309)	-	(3,309)
Other comprehensive income	289	-	289	(9,790)	-	(9,790)

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

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling): — Changes in fair value recognised during the period	1,648	(6,477)
Debt securities measured at FVOCI — net movement in fair value reserve (recycling): — Changes in fair value recognised during the period	(1,607)	(8,898)
— Reclassified to profit or loss upon disposal	-	499
— Reclassified to profit or loss for provision of expected credit loss	151	5,090
	(1,456)	(3,309)

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

## 7 INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for the six months ended 30 June 2021 is calculated at 16.5% (six months ended 30 June 2020: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% (six months ended 30 June 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2020: 16.5%).

Taxation for overseas branch of a subsidiary is calculated using the estimated annual effective rate of taxation that is expected to be applicable in the relevant location.

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

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Current taxation</b>		
Hong Kong Profits Tax	(549)	(244)
Overseas	(130)	–
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(68)	102
	<b>(747)</b>	<b>(142)</b>

## 8 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to profit for the period:

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Interim dividend declared after the end of the reporting period of HK8 cents per share (for six months ended 30 June 2020: nil)	<b>73,306</b>	–

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

## 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the period of HK\$95,826,000 (six months ended 30 June 2020: HK\$109,277,000) and the weighted average of 915,630,000 ordinary shares (six months ended 30 June 2020: 884,093,000 shares) in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company for the period of HK\$95,826,000 (six months ended 30 June 2020: HK\$109,277,000) and the weighted average number of ordinary shares of 955,549,000 (six months ended 30 June 2020: 901,701,000), after adjusting for the effect of dilutive potential ordinary shares under share option scheme during the period.

## 10 PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
At the beginning of the period/year	1,398,110	1,409,816
Additions	179,546	187,545
Disposals	(679)	(510)
Valuation gains/(losses) on investment properties (note (a))	9,950	(6,050)
Depreciation charge	(105,793)	(192,691)
At the end of the period/year	1,481,134	1,398,110

Note:

- (a) All investment properties of the Group were revalued as at 30 June 2021 and 31 December 2020 by direct comparison approach determined by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available. 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.

During the six months ended 30 June 2021, the Group entered into a number of rental agreements for use of offices, retail stores, logistic centre and therefore recognised the additions to right-of-use assets of HK\$129,686,000 (six months ended 30 June 2020: HK\$13,989,000; year ended 31 December 2020: HK\$103,169,000).

The leases of retail stores contain variable lease payment terms that are based on the relevant retail stores' revenue pursuant to the terms and conditions as set out in the respective rental agreements and minimum annual lease payment terms that are fixed.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

## 11 INTANGIBLE ASSETS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
At the beginning of the period/year	59,686	72,826
Additions	9,050	–
Amortisation	(6,650)	(13,140)
At the end of the period/year	62,086	59,686

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 capitalised development costs for eCommerce-related systems and platforms.

The Group holds indefeasible right of use in certain capacity of the telecommunications network and right to use of telecommunications services for its eCommerce business. Lump sum payments were made upfront to acquire these intangible assets, and there are no ongoing payments to be made under the terms of the lease.

The amortisation charge for the period is included in “other operating expenses” in the consolidated income statement.

## 12 OTHER FINANCIAL ASSETS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
<b>Equity instruments designated at FVOCI (non-recycling)</b>		
— Equity securities	21,978	20,655
— Perpetual bonds	44,472	51,845
	66,450	72,500
<b>Debt securities measured at FVOCI (recycling)</b>		
— Maturity dates within 1 year	93,146	18,197
— Maturity dates over 1 year	160,262	182,049
	253,408	200,246
<b>Units in investment funds measured at FVPL</b>	67,645	69,570
	387,503	342,316
<b>Representing</b>		
— Non-current portion	294,357	324,119
— Current portion	93,146	18,197
	387,503	342,316

All of these financial assets were carried at fair value as at 30 June 2021 and 31 December 2020.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 13 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Accounts payable (note (a))	249,398	319,888
Contract liabilities	95,180	105,973
Other payables and accrued charges (note (b))	143,366	178,906
	238,546	284,879
	487,944	604,767

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Current–30 days	244,978	315,530
31–60 days	1,854	1,240
61–90 days	461	760
Over 90 days	2,105	2,358
	249,398	319,888

(b) Other payables and accrued charges

Other payables and accrued charges primarily consist of accruals for Talent salaries and related costs, payables for purchase of property, plant and equipment, outsourced manpower services expenses and advertising and promotional expenses.

### 14 BANKING FACILITIES

At 30 June 2021, the uncommitted banking facilities of the Group amounted to HK\$936,713,000 (31 December 2020: HK\$935,092,000). These banking facilities were secured by the Group's other financial assets of HK\$173,421,000 (31 December 2020: HK\$342,316,000), bank balances of HK\$44,639,000 (31 December 2020: HK\$361,695,000) as at 30 June 2021. The facilities were not utilised as at 30 June 2021 (31 December 2020: nil).

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 2021 and 31 December 2020, none of the covenants relating to drawn down facilities had been breached.

(Expressed in Hong Kong dollars)

## 15 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.

On 31 March 2021, the Company granted a total of 1,200,000 share options at exercise price of HK\$12.788 per share to eligible Talents to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme when certain performance targets are achieved. Such options were granted a 10-year term from the date of grant and the vesting date is as follows:

- (i) if the performance target is achieved within 12 months from 31 March 2021, 600,000 share options will vest on 31 March 2022 and 600,000 share options will vest on 31 March 2023;
- (ii) if the performance target is achieved within the period between 12 to 24 months from 31 March 2021, 600,000 share options will vest on the date when the performance target is achieved and 600,000 share options will vest on the date falling 12 months immediately after the last vesting date;
- (iii) if the performance target is achieved within the period between 24 to 36 months from 31 March 2021, 1,200,000 share options will vest on the date when the performance target is achieved.

In determining the value of the share options granted during the six months ended 30 June 2021, the Black-Scholes option pricing model (the “Black-Scholes Model”) has been used. The Black-Scholes Model is one of the most generally accepted methodologies used to calculate the value of options. The variables of the Black-Scholes Model include expected life of the options, risk-free interest rate, expected volatility and expected dividend yield of the shares of the Company.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

## 15 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

In determining the value of the share options granted during the six months ended 30 June 2021, the following variables have been applied to the Black-Scholes Model:

Measurement date	31 March 2021
Variables	
— Expected life	1–2 years
— Risk-free rate	0.26%
— Expected volatility	67.76%
— Expected dividend yield	–

The above variables were determined as follows:

- (i) The expected life is estimated to be 1 year to 2 years after the end of the respective vesting period.
- (ii) The risk-free rate represents the yield of the Hong Kong Government Bonds corresponding to the expected life of the option as at the measurement date.
- (iii) The expected volatility represents the annualised standard deviation of the return on the daily share price of the Company over the period commensurate to the expected life of the options (taking into account the remaining contractual life of the option and the effect of the expected early exercise of the option).

The fair value of the options granted during the six months ended 30 June 2021 is estimated as below:

Date of grant	31 March 2021
Weighted average fair value per share option	HK\$3.42

The Group recognises the fair value of share options as an expense in the income statement over the vesting period, or as an asset, if the cost qualifies for recognition as an asset. The fair value of the share options is measured at the date of grant.

The Black-Scholes Model applied for the determination of the estimated value of the options granted under 2012 Share Option Scheme requires inputs of highly subjective assumptions, including the expected stock volatility. As the Company's share options have characteristics significantly different from those of traded options, changes in subjective inputs may materially affect the estimated fair value of the options granted.

(Expressed in Hong Kong dollars)

**15 EQUITY-SETTLED SHARE-BASED TRANSACTIONS** (continued)

For the six months ended 30 June 2021, equity-settled share-based payment expenses amounted to HK\$4,827,000 (six months ended 30 June 2020: HK\$6,586,000), among which HK\$4,276,000 (six months ended 30 June 2020: HK\$6,586,000) was recognised in the consolidated income statement and HK\$551,000 (six months ended 30 June 2020: nil) was capitalised as intangible assets. Particulars and movements of share options during the six months ended 30 June 2021 and year ended 31 December 2020 were as follows:

	Period ended 30 June 2021		Year ended 31 December 2020	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
<b>2012 Share Option Scheme</b>				
Outstanding at the beginning of the period/year	2.71	55,746,700	2.38	48,061,300
Granted during the period/year	12.79	1,200,000	4.41	9,315,000
Exercised during the period/year	3.43	(5,047,050)	1.45	(540,000)
Cancelled during the period/year	3.42	(495,300)	3.42	(65,600)
Forfeited during the period/year	–	–	3.42	(1,024,000)
Outstanding at the end of the period/year	2.87	51,404,350	2.71	55,746,700
Exercisable at the end of the period/year	2.16	35,314,800	1.46	24,983,000

The weighted average closing share price immediately before the dates on which the options were exercised during the six months ended 30 June 2021 was HK\$12.84 (six months ended 30 June 2020: HK\$6.63).

The options outstanding at 30 June 2021 had exercise prices ranging from HK\$1.45 to HK\$12.79 (31 December 2020: ranging from HK\$1.45 to HK\$4.43) and a weighted average remaining contractual life of 7.2 years (31 December 2020: 7.8 years).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

## 16 SHARE CAPITAL

	30 June 2021		31 December 2020	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At the beginning of the period/year	<b>911,273,643</b>	<b>1,747,693</b>	820,733,643	1,293,392
Net proceeds from issuance of new shares	–	–	90,000,000	453,207
Shares issued under share option scheme	<b>5,047,050</b>	<b>23,314</b>	540,000	1,094
At the end of the period/year	<b>916,320,693</b>	<b>1,771,007</b>	911,273,643	1,747,693

### (a) Shares issued under share option scheme

During the six months ended 30 June 2021, 5,047,050 (six months ended 30 June 2020: 80,000) ordinary shares were issued at weighted average exercise price of HK\$3.43 (six months ended 30 June 2020: HK\$1.45) per ordinary share to share option holders who had exercised their options with an aggregate cash consideration of HK\$17,327,000 (six months ended 30 June 2020: HK\$116,000) of which HK\$21,684,000 (six months ended 30 June 2020: HK\$162,000) was credited to share capital and the balance of HK\$4,357,000 (six months ended 30 June 2020: HK\$46,000) was debited to the capital reserve.

### (b) Issuance of new shares

On 11 February 2020, the Company entered into a placing agreement ("Placing Agreement") with Top Group International Limited (the "Vendor") and UBS AG Hong Kong Branch (the "placing agent") and a subscription agreement ("Subscription Agreement") with the Vendor, pursuant to which the placing agent agreed to place, on a fully underwritten basis, 90,000,000 existing shares to not less than six placees at HK\$5.15 per share (the "Placing"), and the Vendor agreed to subscribe for 90,000,000 new shares of the Company at HK\$5.15 per share (the "Subscription"). The Placing and the Subscription were completed on 14 February 2020 and 24 February 2020 respectively, in accordance with the terms and conditions of the Placing Agreement and the Subscription Agreement. The net proceeds from the Subscription amounted to HK\$453,207,000 (net of related fees and expenses).

(Expressed in Hong Kong dollars)

## 17 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 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 2021	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	—	253,408	—	253,408
— Units in investment funds measured at FVPL	5,951	61,694	—	67,645
— Equity securities designated at FVOCI	21,978	—	—	21,978
— Perpetual bonds designated at FVOCI	—	44,472	—	44,472

31 December 2020	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	—	200,246	—	200,246
— Units in investment funds measured at FVPL	5,979	63,591	—	69,570
— Equity securities designated at FVOCI	20,655	—	—	20,655
— Perpetual bonds designated at FVOCI	—	51,845	—	51,845

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (six months ended 30 June 2020: 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 values of other financial assets are based on quoted market prices in active markets for similar instruments or quoted prices for identical or similar instruments in markets that are not considered active at the end of the reporting period.

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

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair value as at 30 June 2021 and 31 December 2020.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

## 18 COMMITMENTS

### Capital commitments

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
<b>Purchase of property, plant and equipment</b> Contracted but not provided for	127,245	50,538
<b>Construction of eCommerce and Distribution Centre</b> Contracted but not provided for	5,332	8,218

In addition, at 30 June 2021 the Group has entered or committed to enter into certain number of leases of 1 to 7 years that are not yet commenced, the lease payments under which amounted to HK\$170,095,000 in total (31 December 2020: certain number of leases of 2 to 3 years with lease payments amounted to HK\$18,475,000 in total).

## 19 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 2021 HK\$'000	30 June 2020 HK\$'000
Short-term employee benefits	10,250	15,427
Retirement scheme contributions	456	333
Equity-settled share-based payment expenses	2,720	2,196
	13,426	17,956



**Review report**

**To the Board of Directors of Hong Kong Technology Venture Company Limited**

*(Incorporated in Hong Kong with limited liability)*

**INTRODUCTION**

We have reviewed the interim financial report set out on pages 27 to 46 which comprises the consolidated statement of financial position of Hong Kong Technology Venture Company Limited (formerly known as Hong Kong Television Network Limited) and its subsidiaries as of 30 June 2021 and the related consolidated income statement, consolidated statement of comprehensive income, 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 2021 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

26 August 2021

# 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 2021.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, 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. Cheung Chi Kin, Paul	26,453,424	24,924,339 (Note 2(i))	–	51,377,763	9,000,000	60,377,763	6.59%
Mr. Wong Wai Kay, Ricky	–	355,051,177 (Note 2(ii))	–	355,051,177	10,000,000	365,051,177	39.84%
Ms. Wong Nga Lai, Alice	50,000	–	–	50,000	4,000,000	4,050,000	0.44%
Mr. Lau Chi Kong	–	–	–	–	4,000,000	4,000,000	0.44%
Ms. Zhou Huijing	–	–	–	–	3,500,000	3,500,000	0.38%

Notes:

- This percentage is based on 916,320,693 ordinary shares of the Company issued as at 30 June 2021.
- The corporate interests of Mr. Cheung Chi Kin, Paul ("Mr. Cheung") and Mr. Wong Wai Kay, Ricky ("Mr. Wong") arise through their respective interests in the following companies:
  - 24,924,339 shares are held by Worship Limited which is 50% owned by Mr. Cheung.
  - 355,051,177 shares are held by Top Group International Limited ("Top Group"), a corporation accustomed to act in accordance with Mr. Wong's directions; the interests of Top Group in the Company is also disclosed under the section "Substantial Shareholder" in this report.

Save as disclosed above, as at 30 June 2021, 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 SCHEMES

On 31 December 2012, the Company adopted a share option scheme (the “2012 Share Option Scheme”). In view of the 2012 Share Option Scheme will expire on 30 December 2022, the Company adopted a new share option scheme at the Company’s annual general meeting held on 2 June 2020 (the “2020 Share Option Scheme”). Under the 2012 Share Option Scheme and the 2020 Share Option Scheme, share options may be granted to eligible participants including Talents, 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 their respective adoptions at the discretion of the Board of the Company.

As at the date of this report, no share option has been granted under the 2020 Share Option Scheme since it had been adopted.

Details of the share options granted under the 2012 Share Option Scheme during the period for the six months ended 30 June 2021 were as follows:

Participants	Date of grant	Exercise price per share HK\$	Balance as at 1 January 2021	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Balance as at 30 June 2021	Vesting period	Exercise period
<b>Directors</b>									
Mr. Cheung Chi Kin, Paul	26 May 2017	1.464	9,000,000	-	-	-	9,000,000	26 May 2017 to 28 February 2018	1 March 2018 to 22 March 2027
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
Ms. Wong Nga Lai, Alice	23 March 2017	1.464	1,000,000	-	-	-	1,000,000	23 March 2017 to 28 February 2018	1 March 2018 to 22 March 2027
	27 March 2020	4.434	1,500,000	-	-	-	1,500,000	27 March 2020 to 26 March 2021	27 March 2021 to 26 March 2030
	27 March 2020	4.434	1,500,000	-	-	-	1,500,000	27 March 2020 to 26 March 2022	27 March 2022 to 26 March 2030
Mr. Lau Chi Kong	21 February 2017	1.450	1,000,000	-	-	-	1,000,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
	27 March 2020	4.434	1,500,000	-	-	-	1,500,000	27 March 2020 to 26 March 2021	27 March 2021 to 26 March 2030
	27 March 2020	4.434	1,500,000	-	-	-	1,500,000	27 March 2020 to 26 March 2022	27 March 2022 to 26 March 2030
Ms. Zhou Huijing	21 February 2017	1.450	500,000	-	-	-	500,000	(Note 1)	(Note 1)
	27 March 2020	4.434	1,500,000	-	-	-	1,500,000	27 March 2020 to 26 March 2021	27 March 2021 to 26 March 2030
	27 March 2020	4.434	1,500,000	-	-	-	1,500,000	27 March 2020 to 26 March 2022	27 March 2022 to 26 March 2030
<b>Talents under continuous employment contracts</b>									
Talents	21 February 2017	1.450	393,000	-	-	-	393,000	(Note 1)	(Note 1)
	21 February 2017	1.450	3,090,000	-	-	-	3,090,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
	27 December 2019	3.420	10,724,350	-	4,890,050	1,850	5,832,450	27 December 2019 to 31 December 2020	1 January 2021 to 26 December 2029
	27 December 2019	3.420	10,724,350	-	-	493,450	10,230,900	27 December 2019 to 31 December 2021	1 January 2022 to 26 December 2029
	14 January 2020	3.840	157,500	-	157,000	-	500	14 January 2020 to 31 December 2020	1 January 2021 to 13 January 2030
	14 January 2020	3.840	157,500	-	-	-	157,500	14 January 2020 to 31 December 2021	1 January 2022 to 13 January 2030
	31 March 2021 (Note 6)	12.788	-	1,200,000	-	-	1,200,000	(Note 7)	(Note 7)
<b>Total</b>			<b>55,746,700</b>	<b>1,200,000</b>	<b>5,047,050</b>	<b>495,300</b>	<b>51,404,350</b>		

## OTHER INFORMATION

### SHARE OPTION SCHEMES (continued)

Notes:

1. The exercise of the options is subject to certain conditions that must be achieved by the grantees. The options vested on 1 March 2018 and shall be exercised not later than 20 February 2027.
2. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$12.81.
3. The options lapsed during the period under review upon resignation of certain eligible Talents.
4. The options were cancelled during the period under review.
5. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$13.78.
6. The closing price per share immediately before the date of grant was HK\$11.80.
7. The exercise of the options is subject to certain conditions that must be achieved by the grantees. The validity period of the options is from 31 March 2021 to 30 March 2031.

### SUBSTANTIAL SHAREHOLDER

As at 30 June 2021, 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	38.75%

Note: This percentage is based on 916,320,693 ordinary shares of the Company issued as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021.

## UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's last published annual report is set out as follows:

1. The annual Director's fee of Mr. Lee Hon Ying, John will be adjusted from HK\$243,500 to HK\$280,030 with effect from 1 September 2021.
2. The annual Director's fee of Mr. Peh Jefferson Tun Lu will be adjusted from HK\$228,480 to HK\$262,750 with effect from 1 September 2021.
3. The annual Director's fee of Mr. Mak Wing Sum, Alvin will be adjusted from HK\$228,480 to HK\$262,750 with effect from 1 September 2021.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## 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 2021.

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.

## DIVIDEND POLICY AND INTERIM DIVIDEND

The Board's dividend policy aims to allow the shareholders of the Company to participate in the Company's profits while allowing the Company to retain sufficient capital and reserves for sustainable growth. The proposal of payment and determination of amount of any dividend is made at the discretion of the Board, taking into account factors including:

1. Company's prevailing and expected results of operations and profitability;
2. Liquidity position;
3. Capital investment plans (including investment opportunities and development plans); and
4. Market condition.

After considering the above factors, the Board proposes to update the dividend payout guidance to about 30%–60% of the adjusted EBITDA. Given the strong liquidity position and profit generating ability of the Company, this guidance shall prevail, until there is significant investment opportunity appears, at which point the Board will then review the dividend policy.

In this regard, the Board has resolved to declare an interim dividend of HK8 cents per ordinary share in cash for the six months ended 30 June 2021 (the "Interim Dividend") (six months ended 30 June 2020: nil) to shareholders of the Company whose names appear on the register of members of the Company on 17 September 2021. Dividend warrants will be dispatched to shareholders of the Company on or around 6 October 2021.

## OTHER INFORMATION

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the Interim Dividend, the register of members of the Company will be closed from Wednesday, 15 September 2021 to Friday, 17 September 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Interim Dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 September 2021.

By Order of the Board

**Cheung Chi Kin, Paul**

*Chairman*

Hong Kong, 26 August 2021