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Hong Kong Technology Venture Company Limited 香港科技探索有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 1137)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

GROUP FINANCIAL HIGHLIGHT

- Second profitable interim period in a row:
 - Profit for the period of the Company for 1H2021 amounting to HK\$95.8 million versus HK\$93.0 million in 1H2020¹ while, if excluded the expenses (including 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 in 1H2020¹;
 - Adjusted EBITDA² at HK\$144.4 million in 1H2021 versus HK\$159.4 million in 1H2020¹. If excluded the expenses (including major non-cash items) incurred by Shoalter technology business, the adjusted EBITDA for the Hong Kong eCommerce business for 1H2021 was HK\$152.7 million versus HK\$159.4 million in 1H2020¹;
- Turnover increased by approximately 13.3% to HK\$1,518.1 million in 1H2021 versus HK\$1,340.0 million in 1H2020, including Multimedia advertising income and licensing of programme rights of HK\$48.1 million (1H2020: HK\$10.1 million) which representing almost 5x growth;
- Achieved an overall gross profit margin and blended commission rate³ of 24.5% (1H2020: 24.8%); and
- Strong balance sheet with net cash and liquidity position of HK\$1.24 billion.

DIVIDEND POLICY AND INTERIM DIVIDEND

- The Board proposes to update the dividend payout guidance to about 30%–60% of the adjusted EBITDA going forward; and
- 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.

ECOMMERCE OPERATIONAL HIGHLIGHT

- GMV on order intake⁴ in 1H2021 of HK\$3,040.0 million, representing 10.7% growth relative to 1H2020 of HK\$2,746.5 million;
- Average daily orders increased from 29,800 orders per day in June 2020, to 36,500 orders per day in June 2021, and subsequently even achieved a record high in July 2021 of 40,600 orders per day;
- The average order value was approximately HK\$465 in 1H2021 versus approximately HK\$508 in 1H2020;
- During 1H2021, we had 896,000 unique customers whom made purchases at HKTVMall, a growth of 10.2% from 813,000 in 1H2020; and
- We have achieved HK\$566.0 million GMV on order intake in July 2021 and is estimated to achieve approximately HK\$620.0 million to HK\$630.0 million in August 2021.

TECHNOLOGY BUSINESS UPDATE

- Shoalter's first Hong Kong solution client — I.T is planned to launch its online shopping mall — EESE in Q4 2021;
- Shoalter's first overseas eCommerce solution agreement signed on 23 August 2021 as an in-kind consideration plus cash consideration (in aggregate amounting to approximately US\$5.0 million (equivalent to approximately HK\$38.9 million)) for a strategic minority stake in an Indonesian health and wellness eCommerce business;
- Filing of the first Hong Kong standard patent application in respect of the self-invented Automated Retail Store and System on 4 August 2021 which is in its final development stage, expecting to have trial launch in first half of 2022 with commercial launch of about 10 stores in the same year. Target market is developed countries.

¹ After excluding the government subsidies of HK\$16.3 million received in 1H2020 which is considered as non-recurring income.

² Adjusted EBITDA means profit for the period plus interest on bank loans (excluded finance costs — interest on lease liabilities), income tax expense, depreciation of property, plant and equipment (excluded depreciation on other properties leased for own use) and amortisation of intangible assets and deduct investment returns and adjusted by major non-cash items. Adjusted EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards ("HKFRSs"). This measure does not represent, and should not be used as a substitute for, net profit or cash flows from operations as determined in accordance with HKFRSs. This measure is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definition of this measure may not be comparable to other similarly titled measures used by other companies.

³ Gross profit margin and blended commission rate is calculated before deduction of HKTVMall dollars and use of promotional coupon (if any), which is considered as advertising and marketing expenses under management reporting purpose and includes merchant annual fee amortisation and other service income.

⁴ 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.

CHAIRMEN’S STATEMENT

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.

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 "EASE" 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. EASE 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 EASE, 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 HKTVmall and EASE, 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

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

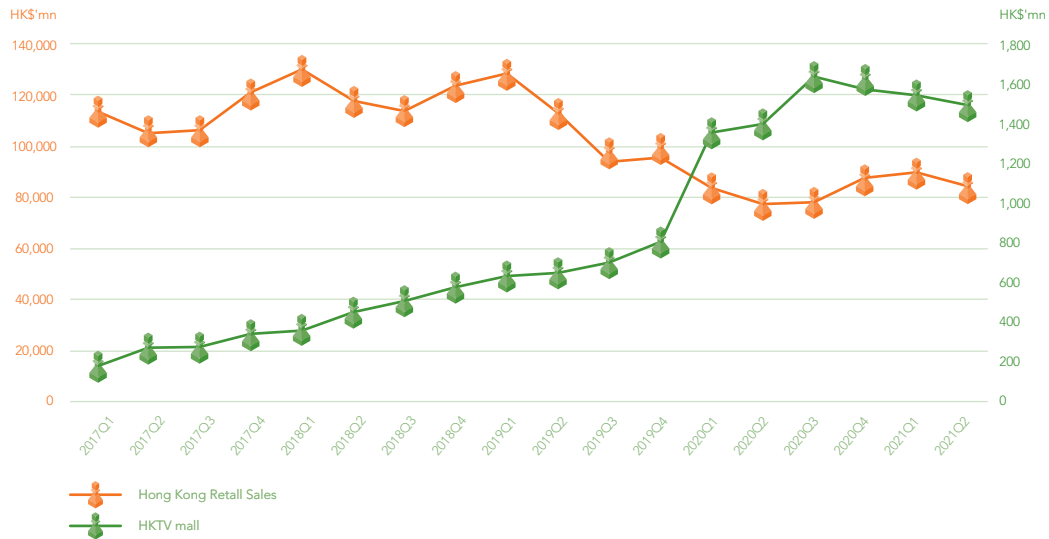
The local economy and high unemployment rate were still under severe impact of COVID-19 pandemic though according to the June 2021 Report on Monthly Survey of Retail Sales⁵ ("June 2021 Retail Sales Report"), there was an overall improvement in Hong Kong's total retail sales by 8.4% in the first half 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.

⁵ Source: Report on Monthly Survey of Retail Sales June 2021, Census and Statistics Department of Hong Kong Special Administrative Region.

Trend on Hong Kong retail sales⁵ versus HKTVMall's GMV on order intake performance



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

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
On completed orders and on adjusted basis⁶		
Direct merchandise sales		
GMV on completed orders ^{6,7}	1,013,665	939,411
Cost of inventories	(755,180)	(676,483)
	258,485	262,928
Gross profit	25.5%	28.0%
Gross profit margin		
Income from concessionaire sales and other service income		
GMV on completed orders ⁶	2,014,823	1,749,896
Merchant payments (net off by other service income)	(1,531,296)	(1,346,737)
	483,527	403,159
Income from concessionaire sales and other service income ⁸	24.0%	23.0%
Blended commission rate		
Total GMV on completed orders⁶	3,028,488	2,689,307
Total gross profit and income from concessionaire sales and other service income^{7,8}	742,012	666,087
Total gross profit margin and blended commission rate	24.5%	24.8%
Multimedia advertising income and licensing of programme rights		
Multimedia advertising income	47,960	9,950
Other programme license income	101	173
	48,061	10,123
Gross contribution from Multimedia Business	790,073	676,210
Gross contribution margin	26.1%	25.1%

⁶ 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.

⁷ 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).

⁸ 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)

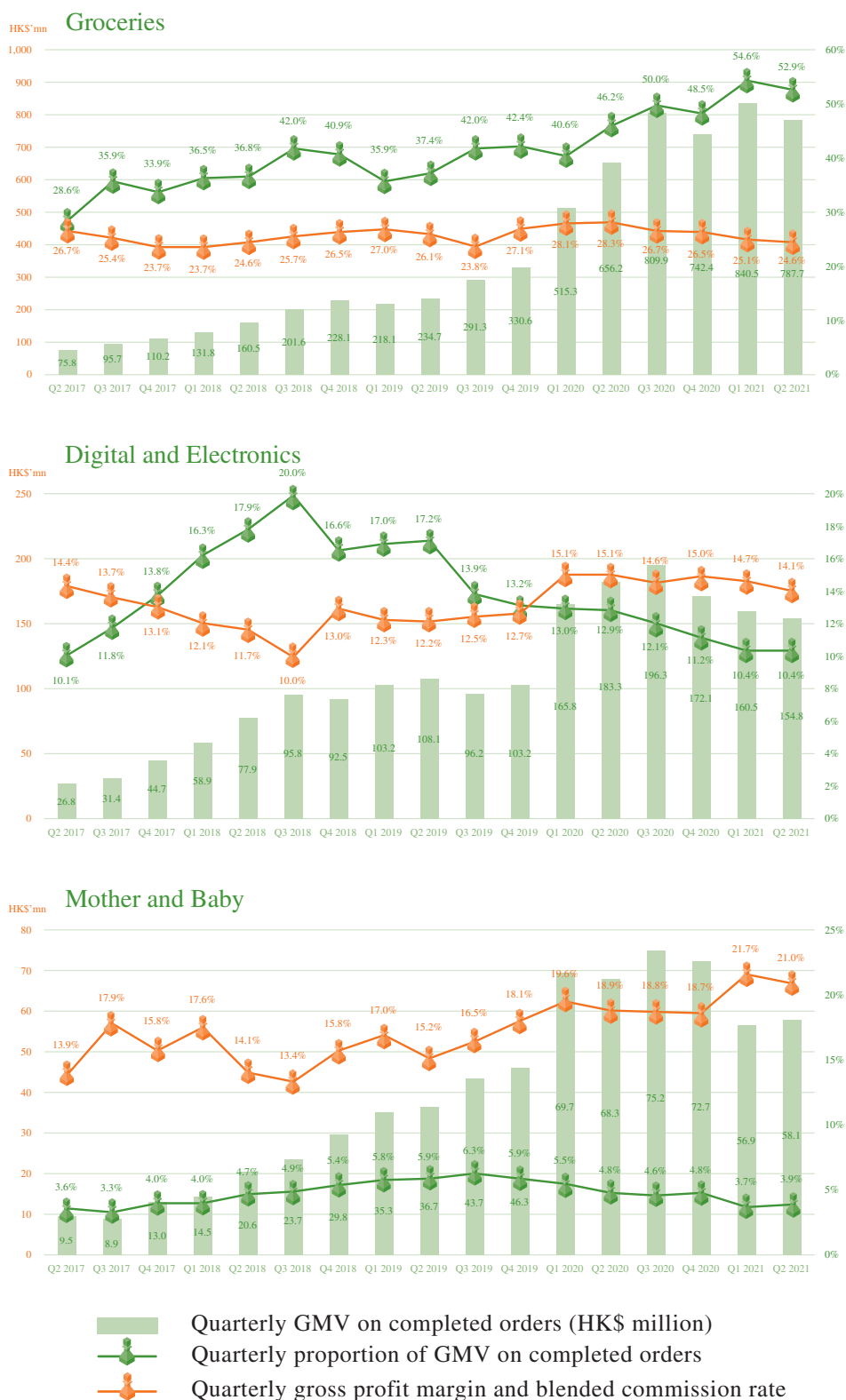
During the period, the groceries and supermarket segment was highly competitive given the price cut in offline supermarket chains for business recovery from COVID-19 pandemic. In order to maintain online groceries competitiveness for recurring traffic and to drive growth on concessionaire sales, we have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

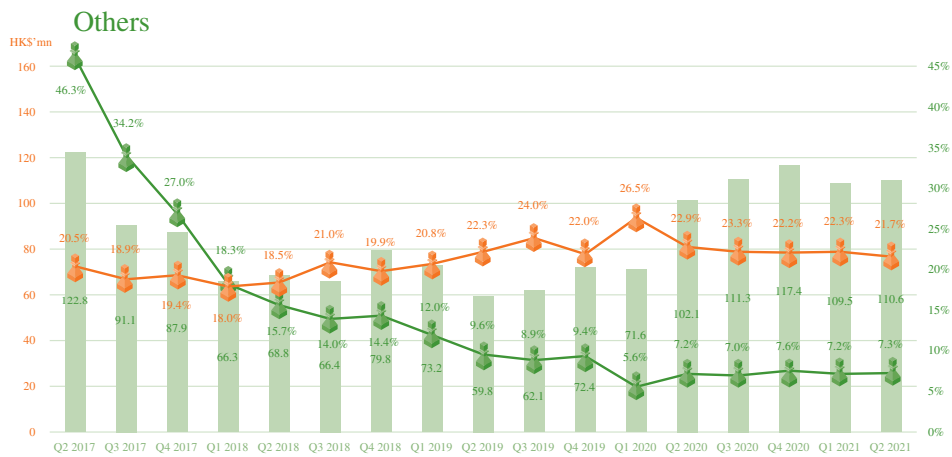
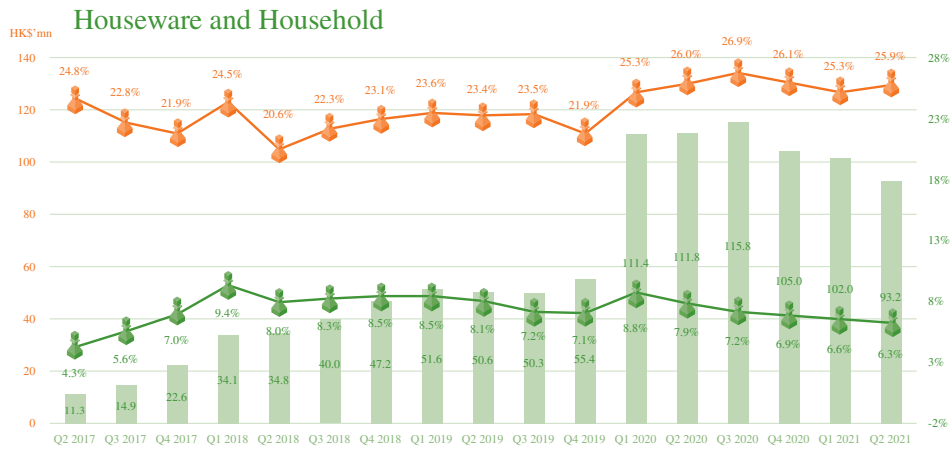
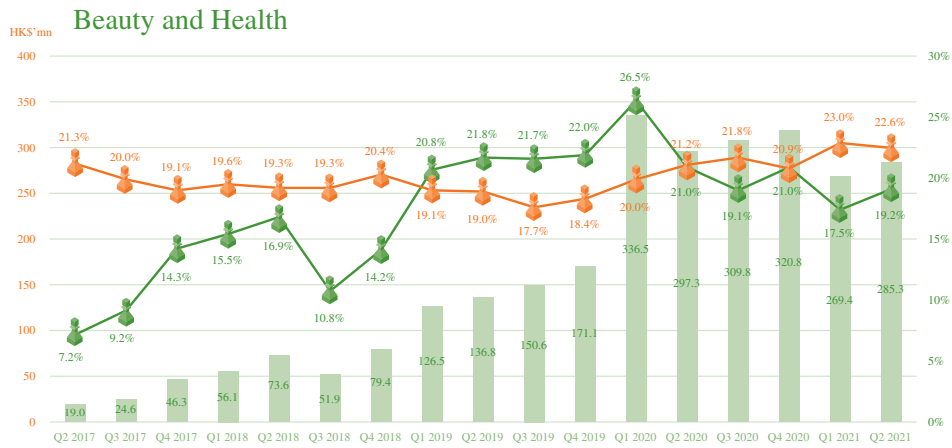
This strategy has successfully retained monthly user traffic at around 1.5 million unique users (App only) and also drove groceries to attribute to 53.8% of 1H2021 GMV on completed orders (1H2020: 43.6%) which is a strong repeated purchase driver for HKTVmall. 1P attributed to about 33.5% of total GMV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





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

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.

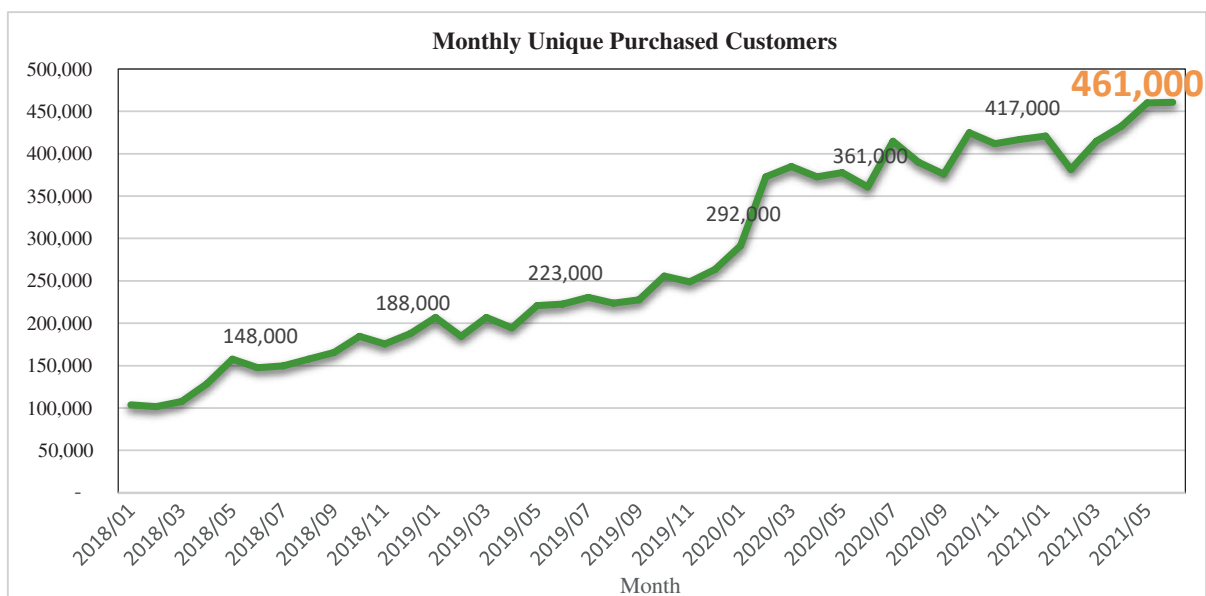
Customer wake up program and new customer acquisition

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.

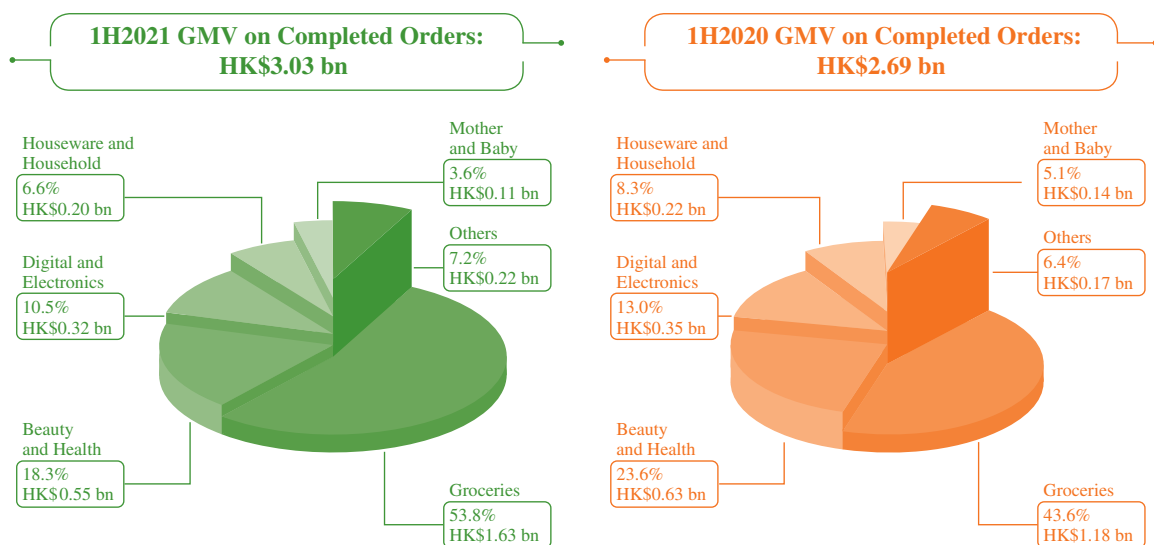
Moreover, we also experienced full period effect on Weekend Wet Market program, and also snowball effect from increasing usage on Citi HKTVmall co-brand credit card and VIP members on every Thursday VIP day 5% off offer, etc.

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.



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.

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

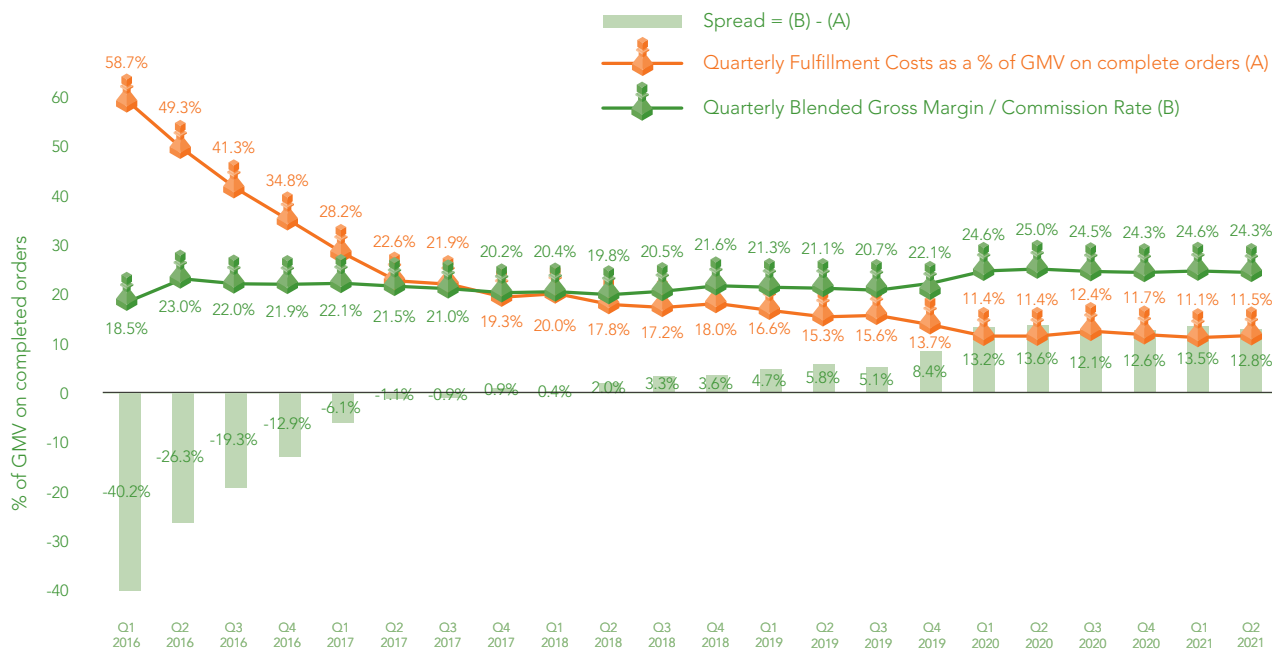
This growing and solid digital customer base is the fundamental growth engine for our eCommerce enrichment development and business initiatives. During 1H2021, certain initiatives were launched to continuously engaging consumers and merchant partners, with key highlight as below:

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.

- 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.
- 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.

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
Fulfilment costs (note 1)	11.3%	343.4	11.4%	306.6
Marketing, promotional and O2O shop operating expenses (note 2)	4.8%	146.3	2.9%	79.1
eCommerce operation and supporting Functions (note 3)	5.2%	157.5	5.1%	136.6
eCommerce business key operating expenses	21.4%	647.2	19.4%	522.3
Technology business key operating expenses		8.3		–
Total key operating expenses		655.5		522.3
Major non-cash items (note 4)		68.4		65.4
Less: Marketing, promotional and O2O shop operating expenses deducted in turnover		(27.1)		(12.7)
Total other operating expenses		696.8		575.0

Notes:

1. 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).
2. 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).
3. 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).
4. 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.

- (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.

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 <i>HK\$ million</i>	Amount utilised as at 31 December 2020 <i>HK\$ million</i>	Amount utilised as at 30 June 2021 <i>HK\$ million</i>	Expected timeline of utilisation
Expansion of the eCommerce and related business of the Group				
(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
Total	453.2	30.0	63.0	

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.

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.

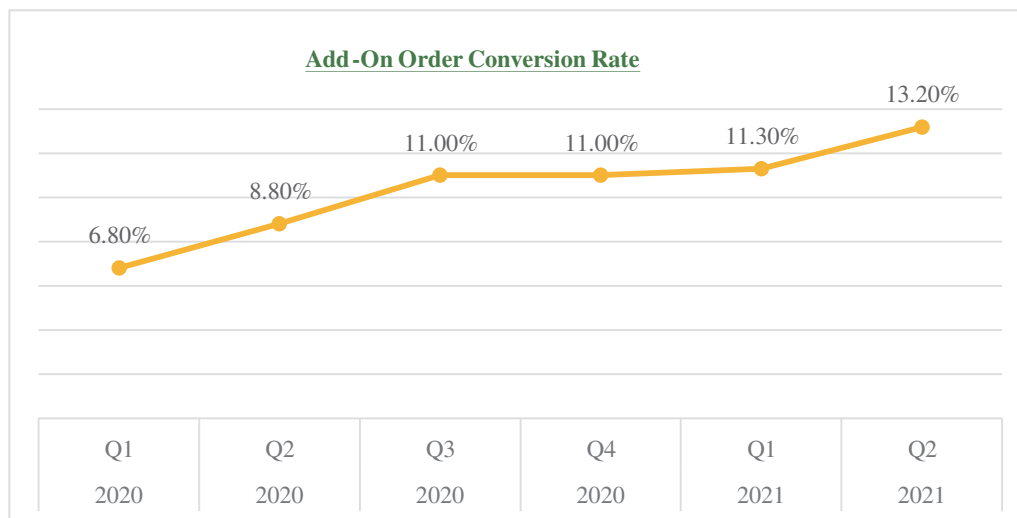
C. Launch of HKTV eCommerce Academy

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.



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. "EASE 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 — "EASE" 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.

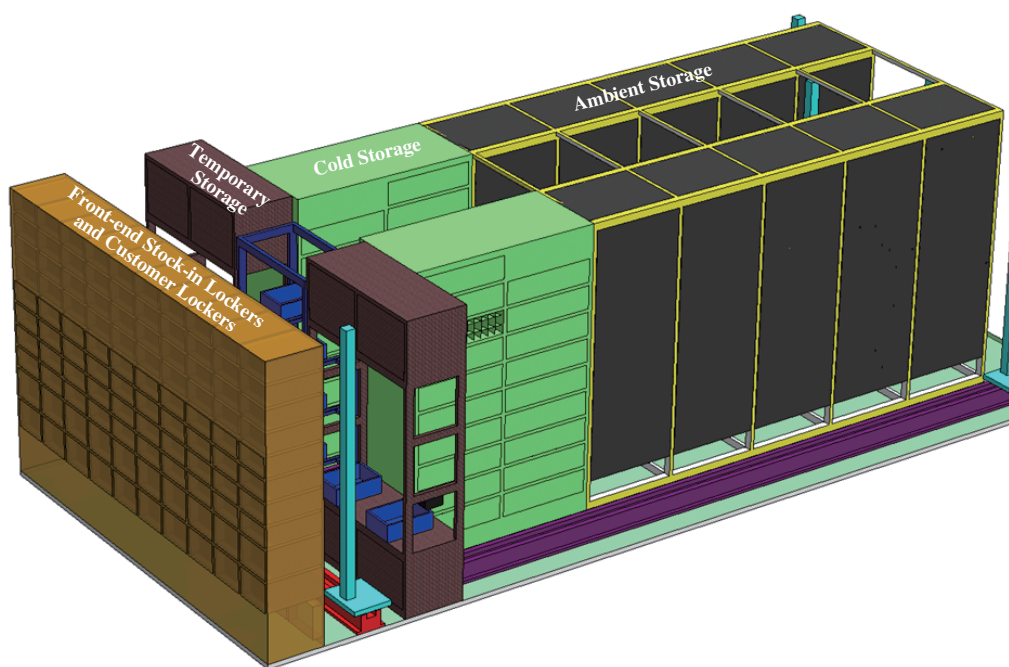
2. *Self-Invented Automated Retail Store and System*

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.



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.

RESULTS

The Board of Directors (the “Board” or the “Directors”) of Hong Kong Technology Venture Company Limited (formerly known as Hong Kong Television Network Limited) (“HKTV” or the “Company”) hereby announce the consolidated income statement and consolidated statement of comprehensive income for the six months ended 30 June 2021 and the consolidated statement of financial position as at 30 June 2021 of the Company and its subsidiaries (collectively referred to as the “Group”), which are unaudited.

UNAUDITED CONSOLIDATED INCOME STATEMENT

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

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

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
Profit for the period		95,804	109,277
Other comprehensive income for the period	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)		1,648	(6,477)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of overseas subsidiaries		97	(4)
Debt securities measured at fair value through other comprehensive income — net movement in fair value reserve (recycling)		(1,456)	(3,309)
Other comprehensive income for the period		289	(9,790)
Total comprehensive income for the period		96,093	99,487
Attributable to:			
Equity shareholders of the Company		96,115	99,487
Non-controlling interests		(22)	—
Total comprehensive income for the period		96,093	99,487

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

		30 June	31 December
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,481,134	1,398,110
Intangible assets		62,086	59,686
Goodwill		–	897
Long-term receivables, deposits and prepayments		51,814	28,984
Other financial assets	<i>10</i>	294,357	324,119
		<u>1,889,391</u>	<u>1,811,796</u>
Current assets			
Other receivables, deposits and prepayments		128,792	109,360
Inventories and other contract costs		127,642	126,573
Other current financial assets	<i>10</i>	93,146	18,197
Cash and cash equivalents		849,577	942,479
		<u>1,199,157</u>	<u>1,196,609</u>
Current liabilities			
Accounts payable	<i>11</i>	249,398	319,888
Other payables and accrued charges	<i>11</i>	238,546	284,879
Deposits received		5,757	5,757
Tax payable		1,437	758
Lease liabilities		101,885	94,413
		<u>597,023</u>	<u>705,695</u>
Net current assets		<u>602,134</u>	<u>490,914</u>
Total assets less current liabilities		<u>2,491,525</u>	<u>2,302,710</u>

	30 June 2021	31 December 2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	1,295	1,227
Lease liabilities	272,665	203,795
	<u>273,960</u>	<u>205,022</u>
NET ASSETS	<u>2,217,565</u>	<u>2,097,688</u>
CAPITAL AND RESERVES		
	<i>12</i>	
Share capital	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)	–
TOTAL EQUITY	<u>2,217,565</u>	<u>2,097,688</u>

Notes:

1 BASIS OF PREPARATION

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

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 financial information relating to the financial year ended 31 December 2020 that is included in this announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 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.

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

Segment information

In a manner consistent with the way in which information is reported internally to the Group’s chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has only identified one business segment i.e. Multimedia Business. In addition, the majority of the Group’s operations are conducted in Hong Kong and majority of the assets are located in Hong Kong. Accordingly, no operating or geographical segment information is presented.

4 OTHER INCOME, NET

	Six months ended	
	30 June 2021 <i>HK\$'000</i>	30 June 2020 <i>HK\$'000</i>
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 fair value through other comprehensive income (“FVOCI”)	(151)	(5,090)
Rentals from investment properties	11,887	11,887
Net exchange gain/(loss)	1,119	(2,559)
Government subsidies (<i>Note (i)</i>)	–	16,266
Others	3,618	778
	<u>24,249</u>	<u>31,530</u>

- (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.

5 PROFIT BEFORE TAXATION

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

	Six months ended	
	30 June	30 June
	2021	2020
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loans	–	1,855
Interest on lease liabilities	3,560	4,257
Bank charges	196	148
	<u>3,756</u>	<u>6,260</u>
(b) Other items		
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	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
	<u>329,270</u>	<u>271,184</u>
(c) Talent costs		
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)	–
	<u>329,270</u>	<u>271,184</u>

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

6 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	Six months ended					
	30 June 2021			30 June 2020		
	Before-tax amount <i>HK\$'000</i>	Tax expense <i>HK\$'000</i>	Net-of-tax amount <i>HK\$'000</i>	Before-tax amount <i>HK\$'000</i>	Tax expense <i>HK\$'000</i>	Net-of-tax amount <i>HK\$'000</i>
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	<u>289</u>	<u>—</u>	<u>289</u>	<u>(9,790)</u>	<u>—</u>	<u>(9,790)</u>

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

	Six months ended	
	30 June 2021 <i>HK\$'000</i>	30 June 2020 <i>HK\$'000</i>
	Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling):	
— Changes in fair value recognised during the period	<u>1,648</u>	<u>(6,477)</u>
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	<u>151</u>	<u>5,090</u>
	<u>(1,456)</u>	<u>(3,309)</u>

7 INCOME TAX EXPENSE

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

8 DIVIDENDS

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

	Six months ended	
	30 June	30 June
	2021	2020
	HK\$'000	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)	<u>73,306</u>	<u>–</u>

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.

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 OTHER FINANCIAL ASSETS

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

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

11 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
	<u>238,546</u>	<u>284,879</u>
	<u>487,944</u>	<u>604,767</u>

(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
	<u>249,398</u>	<u>319,888</u>

(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.

12 CAPITAL AND RESERVES

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

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.

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.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors of the Company (the "Company Code").

Having made specific enquiry with the Directors, all of them have confirmed that they have fully complied with the required standard set out in the Model Code and the Company Code throughout the six months ended 30 June 2021.

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.

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
Hong Kong Technology Venture Company Limited
Cheung Chi Kin, Paul
Chairman

Hong Kong, 26 August 2021

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