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Corporate Information

FINANCIAL CALENDAR

Six months period ended:
30 June 2022

Announcement of interim results:
30 August 2022

Ex-dividend date for interim dividend:
19 September 2022

Closure of register of members:
21 to 23 September 2022 (both days inclusive)

Record date for interim dividend:
23 September 2022

Despatch of interim dividend warrants:
On or around 13 October 2022

LISTING

The ordinary shares of Hong Kong Technology Venture Company Limited (“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^{3,5} (*Chairman*)

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

(*Vice Chairman and Group Chief Executive Officer*)

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

Mr. LAU Chi Kong³

(*Chief Executive Officer (International Business)*)

Ms. ZHOU Huijing³

(*Chief Executive Officer (Hong Kong)*)

Independent Non-executive Directors

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

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

Mr. MAK Wing Sum, Alvin^{2,5,7,9}

¹ Chairman of Audit Committee

² Member of Audit Committee

³ Member of Executive Committee

⁴ Chairman of Investment Committee

⁵ Member of Investment Committee

⁶ Chairman of Nomination Committee

⁷ Member of Nomination Committee

⁸ Chairman of Remuneration Committee

⁹ 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

HKTV Multimedia 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

Chairmen's Statement

Dear Shareholders,

With reference to HKTVMall's operation experience in 2021, we are more prudent on marketing spend in 2022 which has brought profitable effect in these six-month results. We will continue with this strategy on target-oriented promotion to bring better returns to our investors.

We keep reflecting on our development: If COVID outbreak was the only reason that HKTVMall was able to accomplish the outstanding results? When the pandemic ceases, will our sales drop back to pre-COVID status? The Gross Merchandise Value ("GMV") on order intake decreased from its peak of HK\$854,000,000 in February 2022 to HK\$631,000,000 in July of the same year when the fifth wave of the pandemic was settled, but still, it had more than 10% growth comparing to July 2021. All sales data show that the pandemic has fuelled the quick expansion of online purchases, and even when the outbreak has subsided, a year-on-year increase in online shopping sales is still recorded. The management is confident in reaching the target of GMV on order intake of HK\$8,000,000,000 this year.

Over the past few months, a few changes took place in Hong Kong eCommerce market. First, the online shopping mall "EASE", with our subsidiary Shoalter Technology as its technology solutions support, has ceased its operation on 12 July 2022 due to financial conditions and business considerations of its parent company. Shortly after this, Tmall Hong Kong announced its closure by the end of October. As far as we are aware, other online shopping portals or online stores have not made much progress in terms of order volume, customer experience and logistics. Why only HKTVMall can be tenable in the Hong Kong online shopping market?

The Group's management eyes on long-term objectives since we were running telecom business, by investing billions of dollars in building our own infrastructure than relying on outsourced assistance. The infrastructure for telecom industry is the optical fibre network covering Hong Kong, while the infrastructure in the world of eCommerce is the extensive distribution network consists of numerous automated fulfilment centres, logistics fleets and physical stores, which has lowered the operating costs through automated technologies and economies of scale. Even if other operators try to enter the market, these infrastructures serve as a barrier making the new entrants challenging to quickly compete with us. As a result, we strongly believe that HKTVMall will continue to dominate the market leadership position.

The number of merchants joining online market, as well as the number and categories of products being sold online determine the overall sales attributed to the Hong Kong online shopping market. Apart from supermarket groceries that have already become major items for online shopping, the online shopping segment for digital and electrical appliances and apparels only make up a small portion of the entire Hong Kong retail sector, which has a tone of space for improvement when comparing with other overseas markets. In light of this, we will be more focusing on assisting more merchants to start their online business, by leading them into the world of HKTVMall.

Hong Kong's total retail sales value in 2021 exceeded HK\$350 billion (source: https://www.censtatd.gov.hk/tc/web_table.html?id=89#), while the GMV on order intake for HKTVMall only accounted for less than 2% of Hong Kong's retail market sales value. In the coming years, we hope that HKTVMall's sales will rise to 4-5% of the total retail market sales value in Hong Kong. Nevertheless, after years of effort, HKTVMall's biggest challenge comes from limited internal resources – i.e., to launch more new initiatives with limited IT and product development capacity.

Therefore, HKTVMall will withhold investing resources in developing non-core projects, such as Lite App and Open Databank, which will maintain at their current service level. Rather, we will devote more resources to assist determined and ethical brands and merchants to build and grow their online business, including at HKTVMall and their own online shopping platforms. To accomplish this goal, two major projects will be developed in the coming 18 to 24 months.

Chairmen's Statement

Third Party Logistics ("3PL") Services

The first major project is the 3PL services. The development of online shopping in Hong Kong, in terms of number of platforms and logistics service performance, has been lagging behind neighbourhood districts and countries. Over the past few years, the Group has spent hundreds of millions of dollars on logistics infrastructure to increase the capacity, lower the operating costs and enhance the efficiency for order fulfilment. These infrastructures consumed tremendous resources to build even at HKTVMall's scale. For individual retailers and specific merchants, this is a "mission impossible".

Therefore, the Group is setting up two 3PL centres, making every effort to develop 3PL services to offer warehousing and picking services for merchants with 364-day operation (only close on the Chinese New Year's Day), targeting to cover top 85% of merchant products (estimated to be approximately 150,000 SKUs), and to increase HKTVMall customer orders to reach "orders being placed this morning will be delivered in the same evening" and "orders being placed this evening will be delivered in the next morning". This service will be very versatile and will also be made available to merchants on non-HKTVMall online marketplaces. It is also possible to opt for warehousing and picking services only and then turn the deliveries to other logistics companies.

Own Online Store Solution supported by HKTVMall Traffic

The second initiative is a solution service to help retailers setting up their own independent online stores. Even though there are other similar services available in the market (like Shopline or Shopify), they merely provide online store software service, with insufficient operational support (such as customer traffic diversion), which leads to some merchants who use the software giving up because they are unable to succeed in the online shopping industry. We believe that this, in the long run, will be detrimental and will kill the development of Hong Kong online shopping market, as those failure experiences of merchants using those systems will send a wrong message to the market, leading the market to assume there is no future for online shopping in Hong Kong. We must thus rectify this misconception.

Currently, around 20,000 merchants in Hong Kong of various scales using these online store softwares. HKTVMall will assist them in setting up their own independent online stores and also to operate their stores at HKTVMall. These merchants can manage two online stores concurrently through a single system supported by HKTVMall, so that they can leverage on the customer base of HKTVMall to build their successful online business.

In the next two years, the development of HKTVMall will not be confined to a leading online shopping mall in Hong Kong, we intend to grow HKTVMall into a one-stop shop, trustworthy and comprehensive eCommerce enabler and a must-have partner for all local retailers and brand owners.

On the other hand, as prolonged time is required to obtain various technical regulatory approvals and for leasing arrangements in the UK, the introduction of Fully Automated Retail Store and System will be delayed. We are still confident that the opening of the first Fully Automated Retail Store and System will be launched in the UK within this year. Currently, the team commences the feasibility study on establishing Fully Automated Retail Store and System in other European countries next year.

Cheung Chi Kin, Paul

Chairman

Wong Wai Kay, Ricky

Vice Chairman

Hong Kong, 30 August 2022

Management's Discussion and Analysis

OPERATION HIGHLIGHTS

In thousands of Hong Kong dollars unless specified

On order intake	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in percentage
Gross Merchandise Value ("GMV") ¹	4,186,000	3,040,000	37.7%
Average Daily Order Number (rounded to the nearest hundred)	49,100	36,100	36.0%
Average Order Value (HK\$) (rounded to the nearest dollar)	471	465	1.3%
Combined Unique Customers (rounded to the nearest thousand)	1,107,000	896,000	23.5%

On order intake	For the month ended 30 June 2022	For the month ended 30 June 2021	Change in percentage
Gross Merchandise Value ("GMV") ¹	615,617	492,573	25.0%
Average Daily Order Number (rounded to the nearest hundred)	46,400	36,500	27.1%
Average Order Value (HK\$) (rounded to the nearest dollar)	442	449	(1.6%)

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

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

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

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change in percentage
GMV on completed orders ²	4,135,323	3,028,488	36.5%
Turnover	1,922,144	1,518,127	26.6%
EBITDA ^{3,5}	141,328	148,110	(4.6%)
EBITDA margin* (in %)	3.4%	4.9%	(1.5%)
Adjusted EBITDA ^{4,5}	195,590	144,445	35.4%
Adjusted EBITDA margin* (in %)	4.7%	4.8%	(0.1%)
Profit for the period	127,849	95,804	33.4%
Profit attributable to shareholders of the Company	127,849	95,826	33.4%
Net profit margin* (in %)	3.1%	3.2%	(0.1%)
Capital expenditure – Property, plant and equipment (excluded other properties leased for own use)	214,114	49,860	329.4%

* As a percentage of GMV on completed orders

	As at 30 June 2022	As at 31 December 2021	Change in percentage
Cash position ⁶	575,839	624,247	(7.8%)
Other financial assets	394,376	444,038	(11.2%)
Total equity attributable to equity shareholders of the Company	2,199,747	2,061,783	6.7%
Total equity	2,199,747	2,061,268	6.7%
Number of shares in issue (in thousands)	921,611	917,007	0.5%
Net asset per share (HK\$)	2.39	2.25	6.2%

² 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.

³ EBITDA means profit for the period plus income tax (credit)/expense, depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use), amortisation of contract costs and amortisation of intangible assets and deduct investment returns.

⁴ Adjusted EBITDA means EBITDA adjusted by major non-cash items, excluded non-recurring items including government subsidies and write-off of receivables and other contract costs, net.

⁵ 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.

⁶ Cash position means cash and cash equivalents.

Management's Discussion and Analysis

RECONCILIATION OF ADJUSTED EBITDA

	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Profit for the period	127,849	95,804
Income tax (credit)/expense	(44,603)	747
Investment returns ⁷	(11,124)	(9,856)
Depreciation — on property, plant and equipment (excluded depreciation on other properties leased for own use)	61,126	54,765
Amortisation on intangible assets	7,277	6,650
Amortisation on other contract costs	803	—
EBITDA	141,328	148,110
Major non-cash items:		
Valuation gains on investment properties	(650)	(9,950)
Net exchange loss/(gain)	729	(1,119)
Provision of expected credit losses on debt securities measured at FVOCI	32,039	151
Provision of expected credit losses on interest receivable	1,175	—
Unrealised fair value loss on units in investment funds measured at FVPL	11,064	2,080
Equity-settled share-based payment expenses (after capitalisation)	946	4,276
Write-off of goodwill	—	897
Write-off of receivables and other contract costs, net	12,171	—
Government subsidies	(3,212)	—
Adjusted EBITDA	195,590	144,445

⁷ Investment returns include bank interest income, dividend and investment income from other financial assets, interest income from other financial assets and (gain)/loss on disposal of other financial assets.

Management's Discussion and Analysis

BUSINESS REVIEW

Ecommerce Business — HKTVmall

Surpassed Overall Retail Market Performance

1H2022 is the third consecutive profitable interim results of HKT Group despite vulnerable consumer sentiment and weak economy in Hong Kong. Along with the fifth wave of COVID-19 pandemic and interest rate hikes in 1H2022, the overall Hong Kong retail market had a modest year-on-year decline of approximately 2.6% comparing to 1H2021 (source: https://www.censtatd.gov.hk/en/data/stat_report/product/B1080003/att/B10800032022MM06B0100.pdf). However, at HKTVmall, we continued to surpass the overall retail market with GMV on order intake increased by 37.7% reaching HK\$4,186.0 million in 1H2022, which accounted for:

- ✓ approximately 2.5% of the total Hong Kong retail market sales value (1H2021: 1.7%); and
- ✓ approximately 64.4% of Hong Kong's non-store retailing value (1H2021: 53.1%).

Structural Change in Consumer Purchasing Behavior

We believe this is not a simple “cause-and-effect relationship” arisen from the prolonged COVID-19 pandemic and will reverse when COVID-19 comes to an end. What the pandemic provided is an expanded window to accelerate the offline-to-online (“O2O”) conversion on consumer behavior in the past 2-3 years. From our past performance, it has proved that the O2O conversion could be a structural change as long as the retail market operators have the capabilities and capacities to capture and fly from the acceleration window. While it is not possible to maintain 100% conversion at every point of time, at HKTVmall, we manage to consistently grow our unique customer base over time:

- ✓ Number of unique customers has substantially increased from 823,000 in 2019 before the first COVID-19 outbreak, to 1,287,000 in 2021; and
- ✓ During 1H2022, the number of unique customers reached 1,107,000 versus 566,000 in 1H2019.

This momentum has not only pushed the growth on unique customer base, it also drove the increase in average purchase frequency and the number of product categories shopped at HKTVmall:

- ✓ The quarterly average purchase frequency per customer was at 5.05x in the second quarter of 2022 (“2Q2022”) versus 4.61x in the fourth quarter of 2021 (“4Q2021”); and
- ✓ The quarterly average main categories purchased per customer was at 2.97 main categories in 2Q2022 versus 2.91 main categories in 4Q2021.

The growth in these Ecommerce key parameters has validated the strategy in **enriching the consumer choices** by increasing number of merchants, product varieties and categories available at HKTVmall. HKTVmall currently partners with approximately 6,200 merchants and suppliers versus approximately 5,500 in March 2022, offering more than 1,000,000 product items in June 2022 versus more than 800,000 product items in December 2021. Expanding consumers choices is one of the core success factors at HKTVmall to continue leading Hong Kong's Ecommerce market.

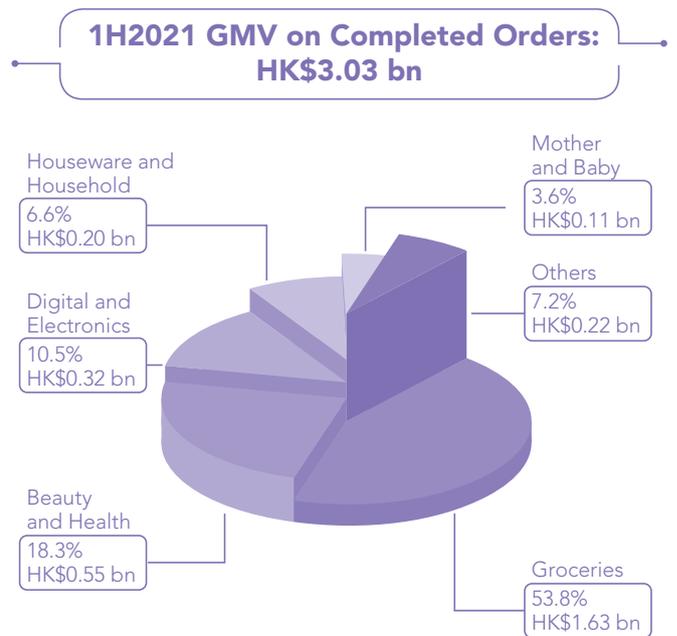
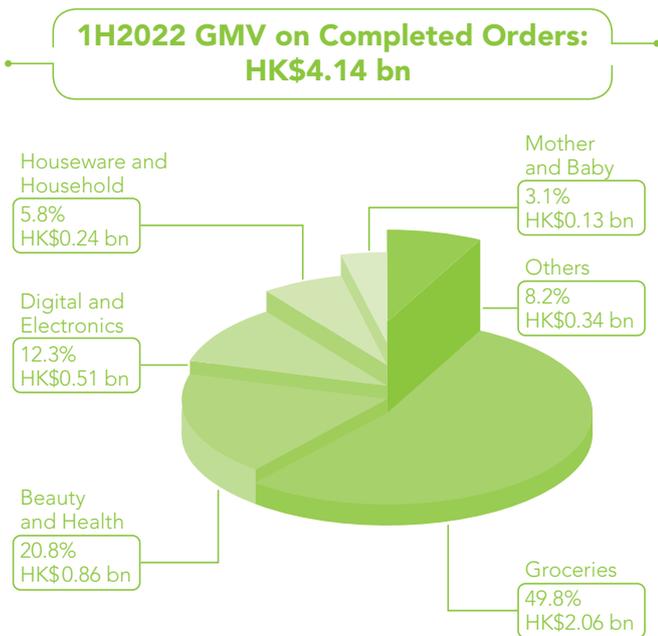
Another key strategy is to **enhance communication and bonding with consumers through multimedia channels**. Live shopping channel is well received by our merchant and supplier partners and also our customers since its launch in 2021 which enable the sellers in various scale to provide a brief product introduction and user comments through Key Opinion Leaders.

Management’s Discussion and Analysis

The other new initiative – “ShareHub” was on its trial launch to selected customers since January 2022 aiming to build a “Virtual Community” to encourage users becoming “Key Opinion Customers” to create and share content from their daily life. Incentive is given if the sharing is related to product offerings at HKTVmall. Verified merchants can reach selected user group for alternative content marketing as well. ShareHub just formally launched in August 2022 with its first campaign to generate content on “Fun Places for Hong Kong Summer”. We expect this community can increase customer interaction within HKTVmall so as to increase stickiness and traffic to HKTVmall App while the users can explore something new at hot topics and trends.

Across-the-line GMV Growth on All Major Product Categories

With solidified structural change in purchasing behavior towards online shopping, during 1H2022, there were prominent growth on GMV on each of the major product categories. In particular on Beauty and Health and Digital and Electronics, they both had more than 50% growth on GMV on completed orders comparing to 1H2021. While on Groceries, which attributed to 49.8% of GMV on completed orders in 1H2022, continued to act as catalyst to drive for recurring traffic, repeated purchases and cross categories selling. Monthly traffic to HKTVmall was maintained at approximately 1.5 million unique App users per month.



1P versus 3P Business Performance

Another golden rule we evolved in our Ecommerce history is the **use of hybrid direct merchandise sales (“1P Business”) and merchant concessionaire sales (“3P Business”) complimentary business model** to increase merchant and product choices, to extend long tail effect for consumer benefit and also for operational efficiency improvement. In 1H2022, we further pushed the proportion between 1P Business and 3P Business to 29.8% and 70.2% of total GMV on completed orders (1H2021: 33.5% and 66.5% respectively).

The total gross profit margin and blended commission rate was 23.5% for 1H2022 (1H2021: 24.5%) which is in line with our FY2022 guidance of 23.4%, and is planned and managed for customer choices enhancement.

Management's Discussion and Analysis

Gross profit margin and blended commission rate

In thousands of Hong Kong dollars unless specified except for ratios

On completed orders and on adjusted basis ²	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Direct merchandise sales		
GMV on completed orders ^{2,8}	1,231,903	1,013,665
Cost of inventories	(902,124)	(755,180)
Gross profit	329,779	258,485
Gross profit margin	26.8%	25.5%
Income from concessionaire sales and other service income		
GMV on completed orders ²	2,903,419	2,014,823
Merchant payments (net off by other service income)	(2,261,307)	(1,531,296)
Income from concessionaire sales and other service income ⁹	642,112	483,527
Blended commission rate	22.1%	24.0%
Total GMV on completed orders²	4,135,322	3,028,488
Total gross profit and income from concessionaire sales and other service income^{8,9}	971,891	742,012
Total gross profit margin and blended commission rate	23.5%	24.5%
Multimedia advertising income and licensing of programme rights		
Multimedia advertising income	64,765	47,960
Other programme license	22	101
	64,787	48,061
Gross contribution from Ecommerce business segment	1,036,678	790,073
Income from Technology business segment	5,357	–
Gross contribution from Ecommerce and Technology business segment	1,042,035	790,073

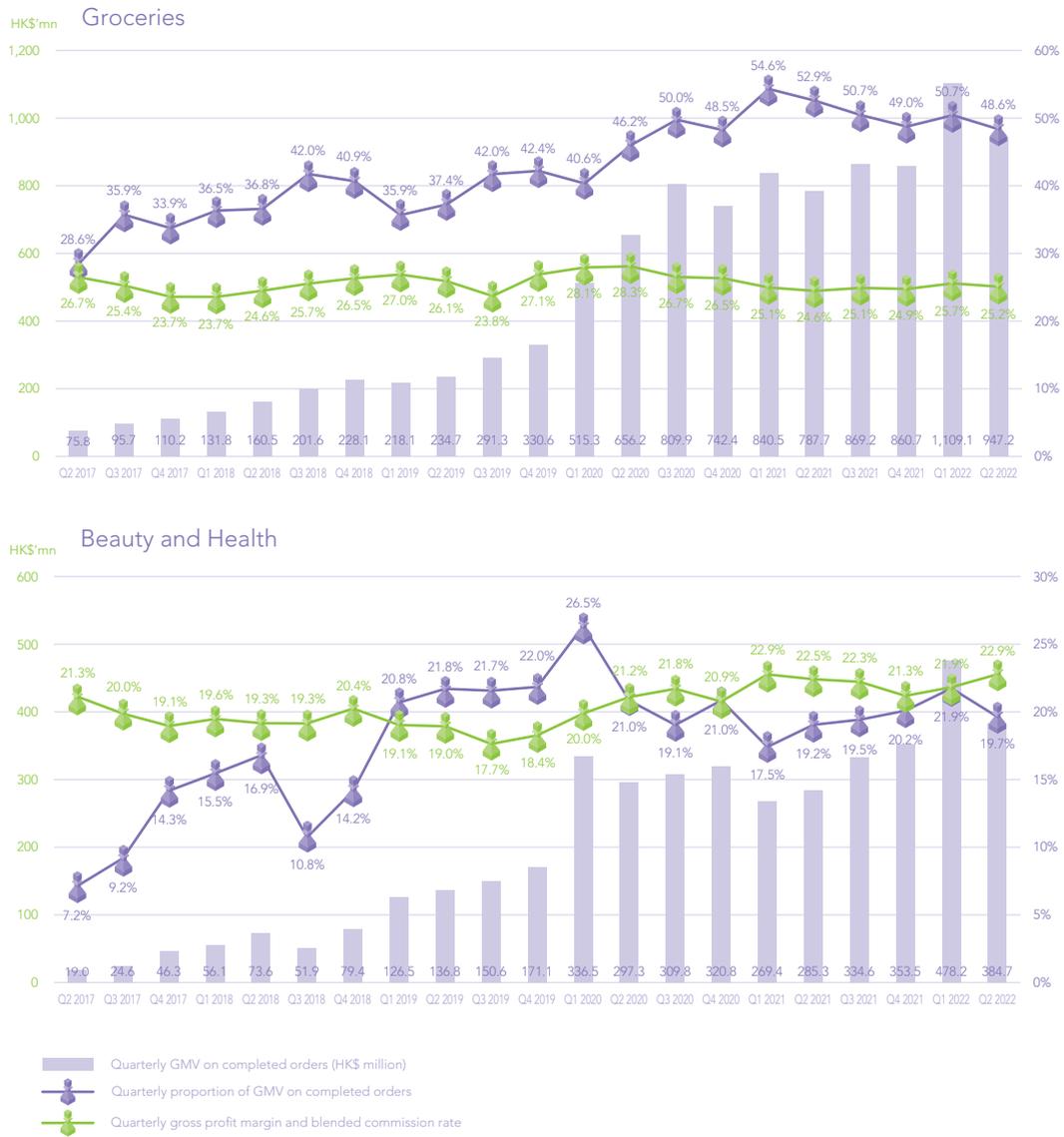
- **1P Business's gross profit margin** increased to 26.8% (1H2021: 25.5%);
- **3P Business's blended commission rate** decreased to 22.1% (1H2021: 24.0%) mainly as a result of adding new "Merchant Delivery" commission plan for digital and electronics and apparel product categories since July 2021 to enable merchants to arrange direct delivery to customers. This has largely attracted new merchants' joining and increased product choices to customers, and resulted in material improvement on GMV;
- **Multimedia advertising income** increased by HK\$16.8 million reaching HK\$64.8 million, represented an increase of 35.0% versus 1H2021 and is on the right track to achieve FY2022 annual target of HK\$120 million.

⁸ For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVMall dollars of HK\$2,045,000 (for the six months ended 30 June 2021: HK\$3,087,000) and use of promotional coupon of HK\$19,603,000 (for the six months ended 30 June 2021: HK\$22,937,000).

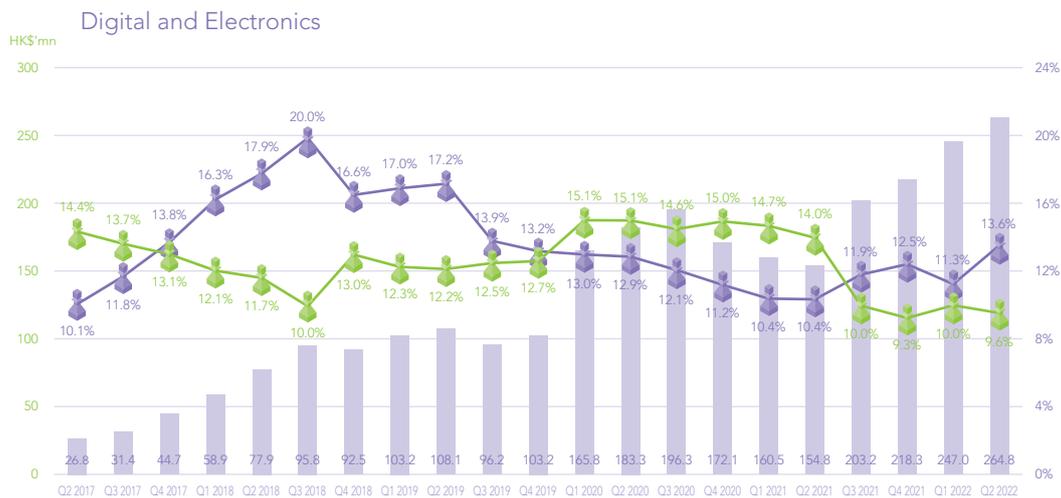
⁹ For income from concessionaire sales and other service income, it is before the deduction of net HKTVMall dollars of HK\$367,000 (for the six months ended 30 June 2021: deduction of HK\$1,102,000) and included merchant annual fee amortisation and other service income.

Management's Discussion and Analysis

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

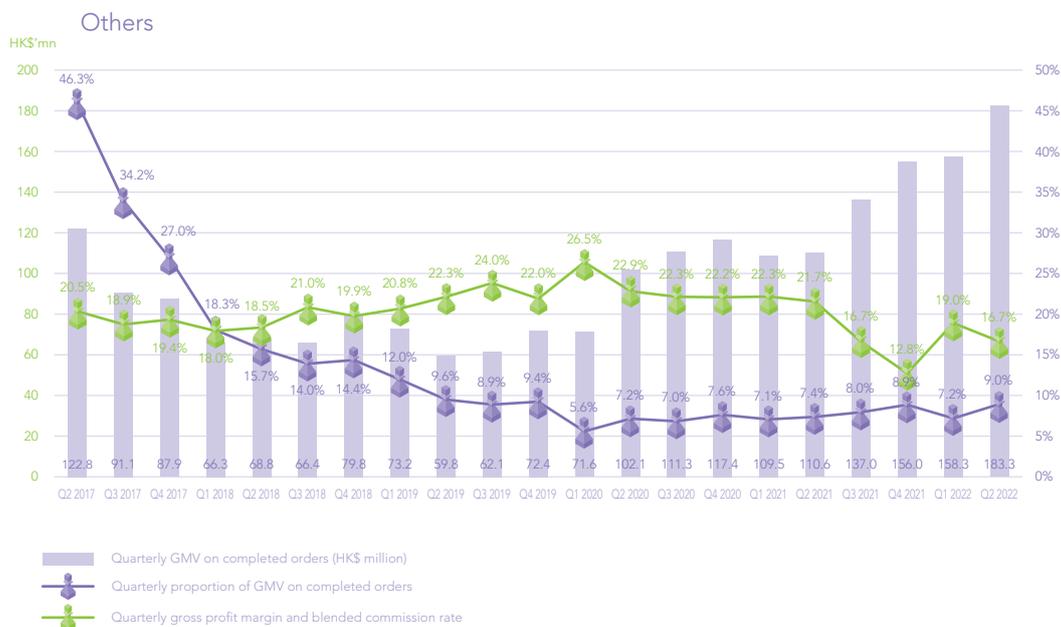
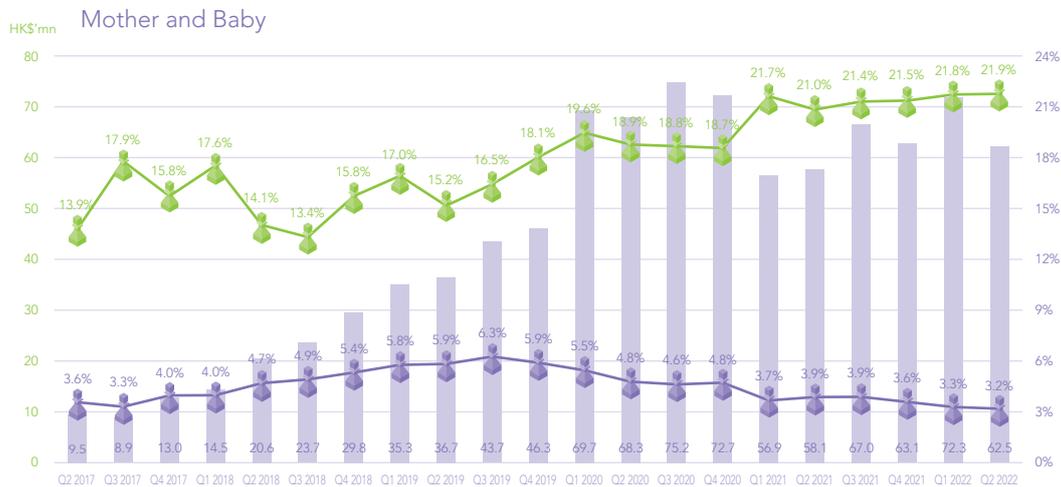


Management's Discussion and Analysis



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

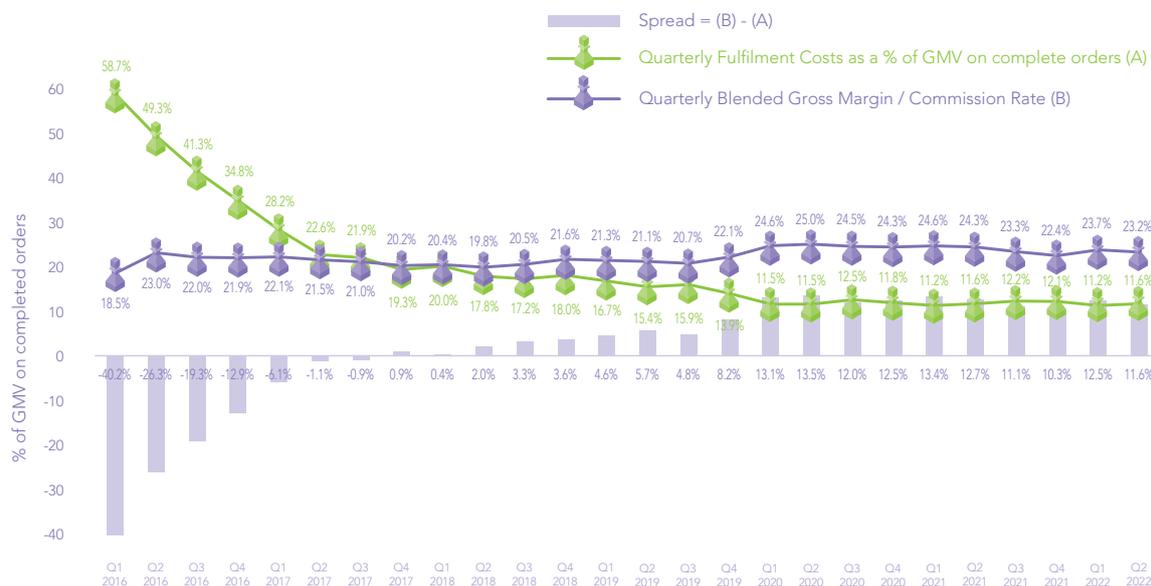
Management's Discussion and Analysis



Planned and Disciplined Fulfilment Cost Efficiency

The deteriorated situation brought by the fifth wave of COVID-19 in the first quarter of 2022 (“1Q2022”) has caused various operational challenges on fulfilment mainly due to frontline and business partner manpower under quarantine or product supply shortage. Certain customer orders’ fulfilment lead time were prolonged or orders being cancelled. We quickly adopted different short term measures to mitigate the impact to our customers, such as hiring additional workforce, engaging third-party business partners from catering and restaurant sectors to be additional customer pick-up points with guaranteed income, etc.. After various efforts made, HKTVMall’s fulfilment manpower was restored in 2 weeks’ time, and our business partners’ operating conditions were largely improved, hence the fulfilment lead time for customer order delivery was resumed to normal level. Additional costs was incurred to make up the fulfilment capacity but was absorbed by the effect from economies of scale derived from substantial increase in GMV on completed orders in 1Q2022. Hence a lower fulfilment costs % was achieved at 11.2% for 1Q2022. It was resumed to 11.6% in 2Q2022. We do expect the fulfilment costs % in the 4Q2022 will increase slightly given the start of the new long term lease to preparing for the upcoming 3PL automated fulfilment center.

Management's Discussion and Analysis



Remark:

- Quarterly Fulfilment Costs as a % of GMV on completed orders include the interest on lease liabilities of HK\$4.3 million, HK\$7.4 million, HK\$5.9 million and HK\$4.8 million for the six months ended 30 June 2022, and for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 respectively under HKFRS 16 in relation to fulfilment centre, which is grouped under finance costs in the consolidated income statement. The % for respective quarters of 2019, 2020 and 2021 have been restated as applicable to reflect the inclusion.
- Quarterly Blended Gross Margin/Commission Rate for 3Q2021 and 4Q2021 have absorbed the merchant incentive rebate for 2021 which yield to a lower rate.
- Blended Gross Margin/Commission Rate is calculated before deduction of HKTVmall dollars and use of promotional coupon which is considered as advertising and marketing expenses under management reporting purpose, and net of merchant annual fee, delivery and other income.

In January 2022, the Group announced a last mile service pledge to enhance customers' end-to-end online shopping experience. Phase 1 is to attain "2 days delivery target" by end of 1H2022. Subsequent to re-arranging the VIP/Gold VIP days from every Thursday to every Friday and every Wednesday, together with pushing the order cut-off time to change from 9am to 1pm daily for merchant products delivery to our fulfilment centre for consolidation and last mile delivery, we are pleased to share that we are now having over 95% delivery orders met the "2 days delivery" target during the weekdays. This is a step forward in enhancing customer's last mile delivery experience with HKTVmall.

HKTVexpress at Untapped Wet Markets

While Quick Commerce is a highly competitive segment, rather than having head-to-head competition on the existing food delivery market, we adopt the same delivery model and extend HKTVexpress into a less competitive grocery and lifestyle market and an untapped segment – wet markets during 1H2022. On selected districts, customers can place order for home-cooking dietary, such as fresh fish, live chicken, vegetables, fresh meat, etc., directly from wet market and receive within 3 hours from order placement. So far, we have launched HKTVexpress at 5 wet markets located in Tseung Kwan O, Tsuen Wan, Ma On Shan, Tai Po and Tuen Mun with over 500 product items available at same price as physical market. On district basis, we are validating our direction and business model on wet market which we will share more business performance data when the business model is framed.

Technology Business — Shoalter

While we continue to be committed and invested to commercialize our end-to-end Ecommerce solution, and through licensing assisted a local retail operator to convert and expand its offline business into a brand new online shopping mall in 2021, unfortunately, due to financial and commercial consideration of its parent company, EESE — a online shopping mall powered by our wholly owned subsidiary Shoalter Technology — has ceased its operation after running for about 8 months. We are disappointed on this decision as online business is never a simple business model which can have breakeven in a relatively short period of time, or it would have become a red ocean even before HKTVmall started its business in 2015. Nevertheless, this decision did reinforce our confidence in continuing to dominate the Hong Kong's online shopping segment. It's not only because of the technical and fulfilment barriers we built since the outset, but also because we do not see there is any "competitor" having strong determination and preparation to committedly invest into this online market segment in Hong Kong.

With the withdrawal of EESE from the online shopping mall market, we have redeployed the technical and project management resources into other new project initiatives immediately including those mentioned under "Prospect".

On the other hand, the first launch of our patented "Fully Automated Retail Store and System" are in full force in Manchester, United Kingdom. Local premises was leased for office, workshop and warehousing purpose. With the aid from Hong Kong business development team and engineering team, we are in good progress in setting up local engineering, business development and various support functions. Nevertheless, longer than expected time is required to obtain various local technical regulatory approvals as well as for store leasing arrangement. We are still expecting to have the first launch of the Fully Automated Retail Store and System by end of 2022.

FINANCIAL REVIEW

During 1H2022, the Group recorded a 36.5% growth on GMV on completed orders reaching HK\$4,135.3 million (1H2021: HK\$3,028.5 million).

The Group's turnover increased by 26.6% to HK\$1,922.1 million (1H2021: HK\$1,518.1 million) which is composed of:

1. HK\$1,210.3 million from direct merchandise sales (1H2021: HK\$987.6 million);
2. HK\$641.7 million from concessionaire sales and other service income (1H2021: HK\$482.4 million);
3. HK\$64.8 million from multimedia advertising income and licensing of programme rights (1H2021: HK\$48.1 million); and
4. HK\$5.4 million from Technology business income (1H2021: nil).

With the 22.5% growth in direct merchandise sales, the cost of inventories increased to HK\$902.1 million in 1H2022 (1H2021: HK\$755.2 million), representing a 19.5% increase, which drove an increase in gross profit.

In 1H2022, other operating expenses increased by HK\$220.5 million to HK\$917.3 million (1H2021: HK\$696.8 million). Among these expenses, fulfilment costs, marketing, promotional and O2O shop marketing expenses, 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 decreased from 21.2% in 1H2021 to 19.9% in 1H2022.

Management's Discussion and Analysis

The breakdown is as below which is on cost basis before considering any inter-segment mark-up:

	1H2022		1H2021	
	As a % of GMV on completed orders	HK\$ million	As a % of GMV on completed orders	HK\$ million
Fulfilment costs (note 1)	11.4%	471.7	11.4%	345.9
Marketing, promotional and O2O shop marketing expenses	1.9%	77.0	2.7%	82.5
O2O shop operating expenses (note 2)	2.0%	81.8	2.1%	64.8
Ecommerce operation and supporting costs	4.6%	190.5	5.0%	150.6
Ecommerce business segment key operating expenses	19.9%	821.0	21.2%	643.8
Technology business segment key operating expenses (note 3)		41.0		8.3
Other unallocated operating expenses (note 4)		11.5		7.0
Total key operating expenses		873.5		659.1
Major non-cash items (note 5)		71.3		68.4
Less: Marketing, promotional and O2O shop marketing expenses deducted in turnover		(22.0)		(27.1)
Less: Interest on lease liabilities included in finance costs		(5.5)		(3.6)
Total other operating expenses		917.3		696.8

Notes:

- Including depreciation – other properties leased for own use of HK\$32.7 million (1H2021: HK\$21.8 million) and interest on lease liabilities of HK\$4.3 million (1H2021: HK\$2.5 million).
 - Including depreciation – other properties leased for own use of HK\$37.1 million (1H2021: HK\$27.5 million) and interest on lease liabilities of HK\$1.1 million (1H2021: HK\$1.0 million).
 - Including depreciation – other properties leased for own use of HK\$0.6 million (1H2021: HK\$0.7 million).
 - Including depreciation – other properties leased for own use of HK\$1.3 million (1H2021: HK\$1.1 million) and interest on lease liabilities of HK\$0.1 million (1H2021: HK\$0.1 million).
 - Excluded depreciation – other properties leased for own use of HK\$71.7 million (1H2021: HK\$51.1 million).
- (1) **Fulfilment costs** incurred for warehousing and logistics functions included shop pick up costs allocation. The increase in fulfilment costs in 1H2022 mainly due to the additional fulfilment centre in Tsing Yi added since July 2021 for additional fulfilment capacity, and the increased use of daily rate manpower and outsource service providers in particular during 1Q2022 which the number of order increased rapidly under the fifth wave of COVID-19 pandemic breakout. Nevertheless, operational cost efficiency was brought by the increase in average daily orders from 36,100 in 1H2021 to 49,100 in 1H2022. The total fulfilment costs as a percentage of GMV on completed orders maintained at 11.4% in both 1H2022 and 1H2021.

Management's Discussion and Analysis

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

Including the HK\$22.0 million (1H2021: HK\$27.1 million) of HKTVmall dollars granted and promotional coupons used which was deducted in the turnover, the total expenses accounted for 1.9% of GMV on completed orders (1H2021: 2.7%) at HK\$77.0 million (1H2021: HK\$82.5 million). The lower cost percentage was due to the 5th wave of COVID-19 pandemic in 1H2022 resulting in less promotional activities required.

- (3) **O2O shop operating expenses** included the shop running expenses and relevant Talent costs incurred, which decreased from 2.1% of GMV on completed orders in 1H2021 to 2.0% in 1H2022. The number of O2O shops were 94 in June 2021 (included one mega store) and in June 2022 (included four mega stores).
- (4) **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 decreased from 5.0% of GMV on completed orders in 1H2021 to 4.6% in 1H2022 mainly due to cost efficiency gained with enlarged GMV on completed orders.
- (5) **Technology business segment key operating expenses** mainly represented the research and development costs incurred for Technology business which is not qualified for capitalisation as intangible assets or other contract costs, and allocated costs from shared supporting functions. Increase in expenses were mainly due to (1) full period effect in 1H2022 as initial set up of Taiwan and UK operations during 2021; (2) write off of receivables and other contract costs, net of HK\$12.2 million as a result of ceased EESE operation.
- (6) **Other unallocated operating expenses** mainly represented the expenses of head office and corporate expenses not allocated to Ecommerce business or Technology business.
- (7) **Major non-cash items** mainly include depreciation on property, plant and equipment, amortisation of intangible assets, amortisation of other contract costs and equity-settled share-based payment. There was a HK\$6.4 million increase in depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use) mainly due to depreciation of the consent fee paid for change of use for our TKO headquarters, renovation and equipment for the additional fulfilment centre in Tsing Yi which was added in July 2021. Moreover, there was equity-settled share-based expenses (after capitalisation) of HK\$0.9 million recorded in 1H2022 (1H2021: HK\$4.3 million).

During 1H2022, a valuation gains on investment properties of HK\$0.7 million (1H2021: HK\$10.0 million) was recognised based on the valuation carried out by an independent firm of surveyors.

Other expenses, net, of HK\$14.4 million was recorded in 1H2022 (1H2021: income of HK\$24.2 million), which mainly composed of investment returns generated from other financial assets and bank deposits of HK\$11.2 million (1H2021: HK\$9.9 million), rental income from investment properties of HK\$11.9 million (1H2021: HK\$11.9 million), government subsidies of HK\$3.2 million (1H2021: nil) offset by the unrealised fair value loss on units in investment funds measured at FVPL of HK\$11.1 million (1H2021: HK\$2.1 million), provision for expected credit losses on debit securities measured at FVOCI of HK\$32.0 million (1H2021: HK\$0.2 million), and net exchange loss of HK\$0.7 million (1H2021: gain of HK\$1.1 million). The significant increase in expenses was mainly due to the provision for expected credit losses on a 10-year bond issued by one of the major financial institutions in Russia acquired almost 10 years' ago, which are subject to high uncertainty on payment of coupons and repayment of principal caused by the Russia-Ukraine conflict and international sanction measures imposed on Russia's financial system.

Finance costs are mainly composed of interest on lease liabilities of HK\$5.5 million (1H2021: HK\$3.6 million).

An income tax credit of HK\$44.6 million was recognised in 1H2022 (1H2021: tax expenses of HK\$0.7 million) included a deferred taxation credit of HK\$45.4 million.

Management's Discussion and Analysis

Overall, the Group achieved a net profit of HK\$127.8 million in 1H2022 relative to HK\$95.8 million in 1H2021 and an adjusted EBITDA profit of HK\$195.6 million versus HK\$144.4 million in 1H2021.

If excluding the Technology business segment and unallocated head office and corporate adjusted EBITDA, and the inter-segment margin, the adjusted EBITDA for Ecommerce business is HK\$222.3 million in 1H2022 versus HK\$138.6 million in 1H2021.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2022, the Group had total cash position representing cash and cash equivalents of HK\$575.8 million (31 December 2021: HK\$624.2 million). The decrease in total cash position was mainly due to net investment in financial assets of the investment portfolio of HK\$0.4 million, the capital and interest element of lease rentals of HK\$74.7 million, payment made for purchases of property, plant and equipment of HK\$197.3 million, HK\$18.7 million increase in payment for the addition to intangible assets, partially net off the cash inflow generated from operating activities of HK\$215.5 million, proceeds received from disposal of property, plant and equipment of HK\$0.4 million, net investment income received of HK\$11.1 million and net proceeds of HK\$15.8 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\$394.4 million as at 30 June 2022 (as at 31 December 2021: HK\$444.0 million). As at 30 June 2022, there was a net deficit of HK\$15.1 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2021: a net deficit of HK\$6.3 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\$52.0 million (for the year ended 31 December 2021: deficit of HK\$15.5 million), in which a deficit of HK\$43.1 million (for the year ended 31 December 2021: deficit of HK\$7.4 million), deficit of HK\$9.4 million (for the year ended 31 December 2021: deficit of HK\$5.9 million) and surplus of HK\$0.5 million (for the year ended 31 December 2021: deficit of HK\$2.2 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 2022 and 31 December 2021, the Group had not utilised any uncommitted banking facilities, leaving HK\$986.4 million (31 December 2021: HK\$940.7 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at banks and in hand, and term deposits within three months of maturity, if any. As at 30 June 2022 and 31 December 2021, 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 2022 and 31 December 2021 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 1H2022, the Group invested HK\$197.3 million on capital expenditure as compared to HK\$80.0 million in 1H2021. The capital expenditure for 1H2022 was mainly incurred for consent fee for change of use of the entire Tseung Kwan O headquarters, renovation for new and relocated O2O stores and mega stores, and new fulfillment centre for cold storage purpose, and for development of Automated Retail Store and System. 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 2021 HK\$ million	Amount utilised as at 30 June 2022 HK\$ million	Expected timeline of utilisation
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Expansion of the Ecommerce and related business of the Group

(i) Expansion of e-fulfilment centre at Tseung Kwan O Headquarters	200	3.7	138.0	By the end of 2023
(ii) Adding the 6th fulfilment centre	40	6.1	25.2	By the end of 2022
(iii) Adding around 200 to 250 delivery trucks	Around 90 to 110	26.1	32.7	By the end of 2023
(iv) Upgrading computer hardware and software	50	50.0	50.0	By the end of 2021
General working capital of the Group	Around 53.2 to 73.2	73.2	73.2	By the end of 2021
Total	453.2	159.1	319.1	

Charge on Group Assets

As of 30 June 2022, the Group's banking facilities of HK\$986.4 million were secured by the Group's other financial assets of HK\$394.4 million and cash of HK\$278.8 million held by various banks.

Exchange Rates

Substantially all of the Group's monetary assets and liabilities are primarily denominated in Hong Kong dollars and United States dollars. 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.

Contingent Liabilities

As of 30 June 2022 and 31 December 2021, the Group had no material contingent liabilities or off-balance-sheet obligations.

Management's Discussion and Analysis

PROSPECTS

Ecommerce Business — HKTVmall

Review on 2022 Ecommerce Business Targets

Overall, HKTVmall has performed well in 1H2022 against the 2022 business targets announced earlier this year and management is confident in achieving 2022 target on GMV growth and multimedia advertising income, at a dynamic marketing and fulfilment cost ratios.

Although HKTVmall's 1H2022 business performance was well surpassed Hong Kong's overall retail market performance, we shall remain cautious in managing the coming business performance as the overall consumer spending power and sentiment and also our business partners' operating conditions are highly dependent on how COVID-19 pandemic evolves in Hong Kong and the related changes in cross-border measures and policy, and how the tighter financial conditions might affect consumer's household disposal income. Hence, the path to achieve the continued growth can be dynamic and this may affect our margin and cost structure.

Having said that, given the economies of scale derived from GMV growth in 1H2022 and the cautious cost management direction, the management is pleased to update certain business targets as below for full year of 2022:

Business Targets	1H2022 Actual	2022 Original Target	2022 Updated Target
GMV on Order Intake	HK\$4.19 billion (49.3%–52.4% achievement)	HK\$8.0–8.5 billion	HK\$8.0 billion
Multimedia Advertising Income	HK\$64.8 million (54.0% achievement)	HK\$120.0 million	Unchanged
Total Gross Margin and Blended Commission Rate	23.5% (if include Multimedia Advertising income: ~ 25.1%)	23.4% (if include Multimedia Advertising income: ~ 24.9%)	Unchanged
Adjusted EBITDA as a % of GMV on completed orders	5.4%	2.0%–2.5%	4.5%–5.0%

Key Operating Expenses as a % of GMV on completed orders	1H2022 Actual	2022 Original Target	2022 Updated Target
Fulfilment Costs	11.4%	12.0%–13.5%	11.8%
Marketing, Promotion and O2O Shop Marketing Expenses	1.9%	3.0%–3.8%	2.0%
O2O Shop Operating Expenses	2.0%	2.0%–2.2%	Unchanged
Ecommerce Operation and Supporting Costs	4.6%	4.2%–4.4%	Unchanged

Management's Discussion and Analysis

Last mile service pledge and New Business Line on 3PL Service

While we have launched Phase 1 target on “2 days delivery” pledge since May 2022, on Phase 2, we have redefined into two sub-phases.

Phase 2a – For the launch of new 3PL service, the Group has entered into a new long lease taking up an additional 144,000 square feet as its first 3PL automated fulfilment centre to be handed over to us in October 2022. Further, a capital expenditure of approximately HK\$100.0 million was committed for supply and installation of custom-made carton shuttle system and it is targeted to be in full operation by end of 1H2023. We target to cover approximately 100,000 merchant products which representing about two-third of the top 85% merchant products for 12-hour delivery to our customers. With this new centre, we will have a total of approximately 714,000 square feet running HKTVmall's automated fulfilment functions including 3PL service.

Phase 2b – We are in the beginning of the process for adding another 130,000 to 150,000 square feet as the second 3PL automated fulfilment centre targeting to be in operation in about 2 years' time to cope with the future business growth.

With the completion of Phase 2a and 2b, our 3PL automated facilities is targeted to cover top 85% of merchant products.

2023 Multimedia Advertising Early Bird Plan

Since the launch of multimedia advertising plans at HKTVmall platform in 2020, this digital advertising services are highly demanded by the merchants, suppliers and other business partners. To cope with the increasing demand, HKTVmall has introduced 10 new advertising formats in 2022 and more is under the pipeline to deliver in 2023. More encouraging is we just confirmed to increase the 2023 advertising rate card with popular advertising formats to reach as high as 40% increment. This rising star is getting more and more shining and becoming one of the core profit generators at HKTVmall.

Technology Business — Shoalter

Apart from the development of Fully Automated Retail Store and System in the UK which is targeted to have the first store to be launched by end of 2022, during 1H2022, we had good progress on the revamp plan on the merchant portal to facilitate the overall Ecommerce operation. The connected functions to share same inventory portfolio with open API connection for product updates has been launched during the period, while the merchant chat function as a communicator to facilitate pre-sales and post-sales communications with customers is under development and to be launched in 2H2022. Another core project is on the automated 3PL system which is in full force of development to match the launch schedule of 3PL service by 1H2023.

TALENT REMUNERATION

Including the Directors, as at 30 June 2022, the Company had 2,166 permanent full-time Talents versus 2,083 as at 31 December 2021. 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 2022 (Expressed in Hong Kong dollars)

	Note	Six months ended	
		30 June 2022 HK\$'000	30 June 2021 HK\$'000
Turnover	3	1,922,144	1,518,127
Direct merchandise sales	3	1,210,255	987,641
Cost of inventories		(902,124)	(755,180)
		308,131	232,461
Income from concessionaire sales and other service income	3	641,745	482,425
Multimedia advertising income and licensing of programme rights	3	64,787	48,061
Technology business income	3	5,357	–
Valuation gains on investment properties	10	650	9,950
Other operating expenses		(917,298)	(696,839)
Other (expenses)/income, net	4	(14,366)	24,249
Finance costs	5(a)	(5,760)	(3,756)
Profit before taxation	5	83,246	96,551
Income tax credit/(expense)	7	44,603	(747)
Profit for the period		127,849	95,804
Attributable to:			
Equity shareholders of the Company		127,849	95,826
Non-controlling interests		–	(22)
Profit for the period		127,849	95,804
Earnings per share	9		
Basic		HK\$0.14	HK\$0.10
Diluted		HK\$0.13	HK\$0.10

The notes on pages 27 to 42 form part of this interim financial report.

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022 (Expressed in Hong Kong dollars)

	Note	Six months ended	
		30 June 2022 HK\$'000	30 June 2021 HK\$'000
Profit for the period		127,849	95,804
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)		484	1,648
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of overseas subsidiaries		554	97
Debt securities measured at fair value through other comprehensive income			
– net movement in fair value reserve (recycling)		(9,372)	(1,456)
Other comprehensive income for the period		(8,334)	289
Total comprehensive income for the period		119,515	96,093
Attributable to:			
Equity shareholders of the Company		119,515	96,115
Non-controlling interests		–	(22)
Total comprehensive income for the period		119,515	96,093

The notes on pages 27 to 42 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

As at 30 June 2022 (Expressed in Hong Kong dollars)

	Note	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Non-current assets			
Property, plant and equipment	10	1,904,147	1,751,803
Intangible assets	11	83,206	71,343
Long-term receivables, deposits and prepayments		101,830	65,403
Other financial assets	12	300,487	268,733
Deferred tax assets		55,352	9,952
		2,445,022	2,167,234
Current assets			
Other receivables, deposits and prepayments		132,869	155,379
Inventories and other contract costs		137,540	134,128
Other current financial assets	12	93,889	175,305
Cash and cash equivalents		575,839	624,247
		940,137	1,089,059
Current liabilities			
Accounts payable	13	319,570	254,004
Other payables and accrued charges	13	333,389	409,462
Deposits received		5,757	5,757
Tax payable		1,670	2,381
Lease liabilities		136,652	125,405
		797,038	797,009
Net current assets			
		143,099	292,050
Total assets less current liabilities			
		2,588,121	2,459,284
Non-current liabilities			
Deferred tax liabilities		1,431	1,391
Lease liabilities		386,943	396,625
		388,374	398,016
NET ASSETS			
		2,199,747	2,061,268
CAPITAL AND RESERVES			
Share capital	16	1,795,440	1,774,173
Reserves		404,307	287,610
Total equity attributable to equity shareholders of the Company		2,199,747	2,061,783
Non-controlling interests		–	(515)
TOTAL EQUITY			
		2,199,747	2,061,268

The notes on pages 27 to 42 form part of this interim financial report.

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 (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
Balance at 1 January 2022	1,774,173	64,967	183,338	(2,345)	(3,935)	2	47,409	(1,826)	2,061,783	(515)	2,061,268
Changes in equity for the six months ended 30 June 2022:											
Profit for the period	-	127,849	-	-	-	-	-	-	127,849	-	127,849
Other comprehensive income	6	-	-	(9,372)	484	554	-	-	(8,334)	-	(8,334)
Total comprehensive income	-	127,849	-	(9,372)	484	554	-	-	119,515	-	119,515
Shares issued under share option scheme	16	21,267	-	-	-	-	(3,975)	-	17,292	-	17,292
Equity-settled share-based transactions	5(c)	-	-	-	-	-	1,672	-	1,672	-	1,672
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(515)	(515)	515	-
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits	-	(35)	-	-	35	-	-	-	-	-	-
Balance at 30 June 2022	1,795,440	192,781	183,338	(11,717)	(3,416)	556	45,106	(2,341)	2,199,747	-	2,199,747

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
Balance at 1 January 2021	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	-	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	-	-	-	-	-	-
Balance at 30 June 2021	1,771,007	219,348	183,338	2,090	(110)	(60)	43,800	(1,826)	2,217,587	(22)	2,217,565

The notes on pages 27 to 42 form part of this interim financial report.

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022 (Expressed in Hong Kong dollars)

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Profit before taxation	83,246	96,551
Valuation gains on investment properties	(650)	(9,950)
Equity-settled share-based payment expenses	946	4,276
Depreciation of property, plant and equipment	132,775	105,793
Amortisation of intangible assets	7,277	6,650
Amortisation of other contract costs	803	–
Interest income from other financial assets	(7,596)	(6,701)
Provision of expected credit losses	33,214	151
Write-off of receivables and other contract costs, net	12,171	–
Changes in working capital	(57,789)	(130,884)
Others	11,096	(8,332)
Net cash generated from operating activities	215,493	57,554
Investing activities		
Payment for the purchase of other financial assets	(75,253)	(52,484)
Proceeds received from disposal of other financial assets	66,996	7,777
Proceeds received from maturity of debt securities	7,847	–
Payment for the purchase of property, plant and equipment	(197,335)	(79,993)
Payment for the addition to intangible assets	(18,721)	(8,499)
Proceeds received from disposal of property, plant and equipment	366	1,194
Others	11,115	18,088
Net cash used in investing activities	(204,985)	(113,917)
Financing activities		
Capital element of lease rentals paid	(69,130)	(50,322)
Interest element of lease rentals paid	(5,549)	(3,560)
Proceeds from shares issued under share option scheme	15,811	17,327
Net cash used in financing activities	(58,868)	(36,555)
Net decrease in cash and cash equivalents	(48,360)	(92,918)
Cash and cash equivalents at 1 January	624,247	942,479
Effect of foreign exchange rate changes	(48)	16
Cash and cash equivalents at 30 June	575,839	849,577

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”) and its subsidiaries (the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 30 August 2022.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 43 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 2021 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 2021 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

(a) Turnover

The principal activities of the Group are Ecommerce business, including but not limited to the end-to-end online shopping mall operation, multimedia production and other related services (“Ecommerce business”) and technology solution business (“Technology business”). Further details regarding the Group’s principal activities are disclosed in note 3(b).

Disaggregation of revenue

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

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by nature		
– Direct merchandise sales	1,210,255	987,641
– Income from concessionaire sales and other service income	641,745	482,425
– Multimedia advertising income and licensing of programme rights	64,787	48,061
– Technology business income	5,357	–
	1,922,144	1,518,127
Disaggregated by timing of revenue recognition		
– Point in time	1,818,314	1,443,869
– Over time	103,830	74,258
	1,922,144	1,518,127

(b) Segment information

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (product and services) and geography. In a manner consistent with the way in which information is reported internally to the Group’s chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Ecommerce business (Hong Kong): The Group’s Ecommerce business segment derives revenue from the end-to-end online shopping mall operation, multimedia production and other related services in Hong Kong. These products and services are either sourced externally or are produced in the Group’s properties located in Hong Kong.
- Technology business (local and international): The Group’s Technology business segment derives revenue from (1) providing technology solution to the Group’s Ecommerce business segment or external customer to operate the end-to-end online shopping mall operation; (2) performing research and development activities on retail technologies, and operating business by adopting the retail technologies globally.

For the six months ended 30 June 2021, the Group has only identified one business segment i.e. Ecommerce business. Accordingly, the comparative figures of segment information have been reclassified to conform to the current period’s presentation.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

3 TURNOVER AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include accounts payable, other payables and accrued charges and lease liabilities attributable to the sales activities of the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to turnover generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Earnings before interest (including investment returns), taxes, depreciation and amortisation ("EBITDA")/(EBITDA loss) means profit/(loss) for the period plus income tax expense/(credit), depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use), amortisation of intangible assets and amortisation of other contract costs and deduct investment returns.

Adjusted EBITDA/(adjusted EBITDA loss) means EBITDA/(EBITDA loss) adjusted by major non-cash items and excluded non-recurring items including the government subsidies and write-off of receivables and other contract costs, net.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning inter-segment sales, interest income and expense from cash balances managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

3 TURNOVER AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

For six months ended 30 June	Ecommerce business		Technology business		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Disaggregated by timing of revenue recognition						
Point in time	1,818,314	1,443,869	–	–	1,818,314	1,443,869
Over time	98,473	74,258	5,357	–	103,830	74,258
Revenue from external customers	1,916,787	1,518,127	5,357	–	1,922,144	1,518,127
Inter-segment revenue	–	–	54,063	47,775	54,063	47,775
Reportable segment revenue	1,916,787	1,518,127	59,420	47,775	1,976,207	1,565,902
Reportable segment profit/(loss) (EBITDA)/(EBITDA loss)	198,452	123,196	(14,831)	4,022	183,621	127,218
Reportable segment profit/(loss) (adjusted EBITDA)/(adjusted EBITDA loss)	198,032	126,504	(505)	5,346	197,527	131,850
Interest income	2	1	7	4	9	5
Write-off of receivables and other contract costs, net	–	–	(12,171)	–	(12,171)	–
Inter-segment finance costs	(2,068)	(1,840)	–	–	(2,068)	(1,840)
Depreciation and amortisation for the period (excluded depreciation on other properties leased for own use)	(54,621)	(52,514)	(4,683)	(1,609)	(59,304)	(54,123)
As at 30 June/31 December						
Reportable segment assets	2,039,206	1,885,236	187,203	149,426	2,226,409	2,034,662
<i>Additions to non-current segment assets during the period</i>	233,395	169,187	55,122	18,496	288,517	187,683
Reportable segment liabilities	1,242,469	1,264,850	73,192	45,688	1,315,661	1,310,538

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

3 TURNOVER AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

(ii) Reconciliation of reportable segment revenue, profit or loss

	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Revenue		
Reportable segment revenue	1,976,207	1,565,902
Elimination of inter-segment revenue	(54,063)	(47,775)
Revenue (note 3(a))	1,922,144	1,518,127

	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Profit		
Reportable segment profit (EBITDA)	183,621	127,218
Income tax credit/(expenses)	44,980	(130)
Interest income	9	5
Depreciation – on property, plant and equipment (excluded depreciation on other properties leased for own use)	(56,961)	(54,123)
Amortisation of intangible assets	(1,540)	(133)
Amortisation of other contract costs	(803)	–
Unallocated head office and corporate net (expense)/income	(41,457)	22,967
Profit for the period	127,849	95,804

(iii) Reconciliation of reportable segment assets

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Reportable segment assets	2,226,409	2,034,662
Elimination of inter-segment receivables	(161,961)	(151,236)
Unallocated head office and corporate assets (included inter-segment loan and investments in financial assets)	1,320,711	1,372,867
Consolidated total assets	3,385,159	3,256,293

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

3 TURNOVER AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

(iv) Reconciliation of reportable segment liabilities

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Reportable segment liabilities (included inter-segment loan)	1,315,661	1,310,538
Elimination of inter-segment payables	(161,961)	(151,236)
Unallocated head office and corporate liabilities	31,712	35,723
Consolidated total liabilities	1,185,412	1,195,025

(v) Geographic segment information

As majority of the Group's operations are conducted in Hong Kong and majority of the assets are located in Hong Kong, accordingly, no geographical segment information is presented.

4 OTHER (EXPENSES)/INCOME, NET

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Bank interest income	65	147
Dividend and investment income from other financial assets	3,497	3,008
Interest income from other financial assets	7,596	6,701
Unrealised fair value loss on units in investment funds measured at fair value through profit or loss ("FVPL")	(11,064)	(2,080)
Provision of expected credit losses on debt securities measured at FVOCI	(32,039)	(151)
Rentals from investment properties	11,887	11,887
Net exchange (loss)/gain	(729)	1,119
Government subsidies (note (i))	3,212	-
Others	3,209	3,618
	(14,366)	24,249

- (i) In 2022, 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 to maintain the number of subsidised headcounts 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 2022 HK\$'000	30 June 2021 HK\$'000
(a) Finance costs		
Interest on lease liabilities	5,549	3,560
Bank charges	211	196
	5,760	3,756
(b) Other items		
Advertising and marketing expenses (excluding HK\$22,015,000 (six months ended 30 June 2021: HK\$27,126,000) being deducted in turnover)	44,680	49,384
Depreciation (Note 10)		
— owned property, plant and equipment	46,565	44,375
— right-of-use assets	86,210	61,418
Amortisation of intangible assets (Note 11)	7,277	6,650
Amortisation of other contract costs	803	—
Gain on disposal of property, plant and equipment	(186)	(515)
Outsourced fulfilment expenses	139,739	87,346
Payment processing charges	47,192	37,419
Owned motor vehicles running expenses	20,489	16,121
Software licenses and registration fee	13,676	9,390
Write-off of receivables and other contract costs, net	12,171	—
Utilities, consumables and office expenses	21,807	21,113
(c) Talent costs		
Wages and salaries	402,921	324,871
Retirement benefit costs-defined contribution plans	15,532	12,044
Equity-settled share-based payment expenses	1,672	4,827
Less: Talent costs capitalised as intangible assets and other contract costs	(14,784)	(12,472)
	405,341	329,270

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 2022			30 June 2021		
	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)	484	–	484	1,648	–	1,648
Exchange difference on translation of financial statements of overseas subsidiaries	554	–	554	97	–	97
Debt securities measured at FVOCI – net movement in fair value reserve (recycling)	(9,372)	–	(9,372)	(1,456)	–	(1,456)
Other comprehensive income	(8,334)	–	(8,334)	289	–	289

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

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Equity instruments designated at FVOCI – net movement in fair value reserve (non-recycling):		
– Changes in fair value recognised during the period	484	1,648
Debt securities measured at FVOCI – net movement in fair value reserve (recycling):		
– Changes in fair value recognised during the period	(41,411)	(1,607)
– Reclassified to profit or loss for provision of expected credit loss	32,039	151
	(9,372)	(1,456)

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

7 INCOME TAX CREDIT/(EXPENSE)

The provision for Hong Kong Profits Tax for the six months ended 30 June 2022 is calculated at 16.5% (six months ended 30 June 2021: 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 which the first HK\$2,000,000 of assessable profits are taxed at 8.25% (six months ended 30 June 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2021: 16.5%).

Taxation for overseas branch of a subsidiary is calculated at 20% (six months ended 30 June 2021: 20%) of the estimated assessable profits for the period.

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

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Current taxation		
Hong Kong Profits Tax	(309)	(549)
Overseas	(448)	(130)
Deferred taxation		
Origination and reversal of temporary differences	45,360	(68)
	44,603	(747)

8 DIVIDENDS

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

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Interim dividend declared after the end of the reporting period of HK8 cents (for six months ended 30 June 2021: HK8 cents) per share	73,729	73,306

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\$127,849,000 (six months ended 30 June 2021: HK\$95,826,000) and the weighted average of 920,240,000 ordinary shares (six months ended 30 June 2021: 915,630,000 shares) in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2022 is based on the profit attributable to equity shareholders of the Company for the period of HK\$127,849,000 (six months ended 30 June 2021: HK\$95,826,000) and the weighted average number of ordinary shares of 949,877,000 (six months ended 30 June 2021: 955,549,000), after adjusting for the effect of dilutive potential ordinary shares under share option scheme during the period.

10 PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
At the beginning of the period/year	1,751,803	1,398,110
Additions	284,809	458,005
Acquisition of a subsidiary	–	118,000
Disposals	(180)	(2,539)
Valuation gains on investment properties (note (a))	650	16,100
Exchange difference	(160)	2
Depreciation charge	(132,775)	(235,875)
At the end of the period/year	1,904,147	1,751,803

Note:

- (a) All investment properties of the Group were revalued as at 30 June 2022 and 31 December 2021 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 2022, the Group entered into a number of tenancy agreements for use of offices, retail stores, logistic centre and therefore recognised the additions to right-of-use assets of HK\$70,695,000 (six months ended 30 June 2021: HK\$129,686,000).

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 tenancy 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 2022 HK\$'000	31 December 2021 HK\$'000
At the beginning of the period/year	71,343	59,686
Additions	19,447	25,729
Amortisation	(7,277)	(14,072)
Written-off	(307)	–
At the end of the period/year	83,206	71,343

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 business and Technology business.

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 and write-off of intangible assets for the period are included in “other operating expenses” in the consolidated income statement.

12 OTHER FINANCIAL ASSETS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Equity instruments designated at FVOCI (non-recycling)		
– Equity securities	23,586	21,132
– Perpetual bonds	65,041	75,957
	88,627	97,089
Debt securities measured at FVOCI (recycling)		
– Maturity dates within 1 year	93,889	175,305
– Maturity dates over 1 year	160,210	109,480
	254,099	284,785
Units in investment funds measured at FVPL	51,650	62,164
	394,376	444,038
Representing		
– Non-current portion	300,487	268,733
– Current portion	93,889	175,305
	394,376	444,038

All of these financial assets were carried at fair value as at 30 June 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

13 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Accounts payable (note (a))	319,570	254,004
Contract liabilities	155,250	237,501
Other payables and accrued charges (note (b))	178,139	171,961
	333,389	409,462
	652,959	663,466

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Current–30 days	309,477	245,823
31–60 days	4,258	1,810
61–90 days	1,289	689
Over 90 days	4,546	5,682
	319,570	254,004

(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 2022, the uncommitted banking facilities of the Group amounted to HK\$986,437,000 (31 December 2021: HK\$940,707,000). These banking facilities were secured by the Group's other financial assets of HK\$394,376,000 (31 December 2021: HK\$444,038,000) and bank balances of HK\$278,791,000 (31 December 2021: HK\$298,598,000) as at 30 June 2022. The facilities were not utilised as at 30 June 2022 (31 December 2021: 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.

Notes to the Unaudited Interim Financial Report

(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.

No share option is granted during the six months ended 30 June 2022.

Total equity-settled share-based payment expenses amounted to HK\$1,672,000 (six months ended 30 June 2021: HK\$4,827,000), among which HK\$946,000 (six months ended 30 June 2021: HK\$4,276,000) was recognised in the consolidated income statement and HK\$726,000 (six months ended 30 June 2021: HK\$551,000) was capitalised as intangible assets and other contract costs, with the offset in capital reserve, for the six months ended 30 June 2022 and 30 June 2021. Particulars and movements of share options during the six months ended 30 June 2022 and year ended 31 December 2021 were as follows:

	Period ended 30 June 2022		Year ended 31 December 2021	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
2012 Share Option Scheme				
Outstanding at the beginning of the period/year	2.86	50,606,900	2.71	55,746,700
Granted during the period/year	–	–	12.79	1,200,000
Exercised during the period/year	3.43	(4,603,650)	3.43	(5,733,300)
Forfeited during the period/year	3.42	(1,550)	3.42	(606,500)
Outstanding at the end of the period/year	2.80	46,001,700	2.86	50,606,900
Exercisable at the end of the period/year	2.53	44,801,700	2.43	44,906,900

The weighted average closing share price immediately before the dates on which the options were exercised during the six months ended 30 June 2022 was HK\$7.6 (six months ended 30 June 2021: HK\$12.84).

The options outstanding at 30 June 2022 had exercise prices ranging from HK\$1.45 to HK\$12.79 (31 December 2021: ranging from HK\$1.45 to HK\$12.79) and a weighted average remaining contractual life of 6.4 years (31 December 2021: 6.7 years).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

16 SHARE CAPITAL

	30 June 2022		31 December 2021	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At the beginning of the period/year	917,006,943	1,774,173	911,273,643	1,747,693
Shares issued under share option scheme	4,603,650	21,267	5,733,300	26,480
At the end of the period/year	921,610,593	1,795,440	917,006,943	1,774,173

(a) Shares issued under share option scheme

During the six months ended 30 June 2022, 4,603,650 (six months ended 30 June 2021: 5,047,050) ordinary shares were issued at weighted average exercise price of HK\$3.43 (six months ended 30 June 2021: HK\$3.43) per ordinary share to share option holders who had exercised their options with an aggregate cash consideration of HK\$15,811,000 (six months ended 30 June 2021: HK\$17,327,000) of which HK\$19,786,000 (six months ended 30 June 2021: HK\$21,684,000) was credited to share capital and the balance of HK\$3,975,000 (six months ended 30 June 2021: HK\$4,357,000) was debited to the capital reserve.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

30 June 2022	Fair value measurements categorised into			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets:				
– Debt securities measured at FVOCI	–	254,099	–	254,099
– Units in investment funds measured at FVPL	4,276	47,374	–	51,650
– Equity securities designated at FVOCI	23,586	–	–	23,586
– Perpetual bonds designated at FVOCI	–	65,041	–	65,041

31 December 2021	Fair value measurements categorised into			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets:				
– Debt securities measured at FVOCI	–	284,785	–	284,785
– Units in investment funds measured at FVPL	4,594	57,570	–	62,164
– Equity securities designated at FVOCI	21,132	–	–	21,132
– Perpetual bonds designated at FVOCI	–	75,957	–	75,957

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (six months ended 30 June 2021: 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 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

18 COMMITMENTS

Capital commitments

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Purchase of property, plant and equipment Contracted but not provided for	48,445	41,681
Construction of eCommerce and Distribution Centre Contracted but not provided for	–	133,448

In addition, at 30 June 2022 the Group has entered or committed to enter into certain number of leases of 3 to 8 years that are not yet commenced, the lease payments under which amounted to HK\$212,287,000 in total (31 December 2021: one lease of 18 months with lease payments amounted to HK\$1,027,000 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 2022 HK\$'000	30 June 2021 HK\$'000
Short-term employee benefits	10,686	10,250
Retirement scheme contributions	452	456
Equity-settled share-based payment expenses	663	2,720
	11,801	13,426

Independent Review Report



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 22 to 42 which comprises the consolidated statement of financial position of Hong Kong Technology Venture Company Limited and its subsidiaries as of 30 June 2022 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 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 August 2022

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 2022.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, 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 ("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 ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("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	6.55%
Mr. Wong Wai Kay, Ricky	–	355,051,177 (Note 2(ii))	–	355,051,177	10,000,000	365,051,177	39.61%
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	0.43%
Ms. Zhou Huijing	–	–	–	–	3,500,000	3,500,000	0.38%

Notes:

1. This percentage is based on 921,610,593 ordinary shares of the Company issued as at 30 June 2022.
2. 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:
 - (i) 24,924,339 shares are held by Worship Limited which is 50% owned by Mr. Cheung.
 - (ii) 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 2022, 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 (“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 (“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 2022 were as follows:

Participants	Date of grant	Exercise price per share HK\$	Balance as at 1 January 2022	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Balance as at 30 June 2022	Vesting period	Exercise period
Directors									
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
Mr. Lau Chi Kong	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
	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
Ms. Zhou Huijing	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
	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
	21 February 2017	1.450	500,000	-	-	-	500,000	(Note 1)	(Note 1)
Talents under continuous employment contracts									
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	5,144,150	-	906,500 (Note 2)	-	4,237,650	27 December 2019 to 31 December 2020	1 January 2021 to 26 December 2029
	27 December 2019	3.420	10,121,750	-	3,539,150 (Note 3)	1,550 (Note 4)	6,581,050	27 December 2019 to 31 December 2021	1 January 2022 to 26 December 2029
	14 January 2020	3.840	500	-	500 (Note 5)	-	0	14 January 2020 to 31 December 2020	1 January 2021 to 13 January 2030
	14 January 2020	3.840	157,500	-	157,500 (Note 6)	-	0	14 January 2020 to 31 December 2021	1 January 2022 to 13 January 2030
	31 March 2021	12.788	1,200,000	-	-	-	1,200,000	(Note 7)	(Note 7)
Total			50,606,900	-	4,603,650	1,550	46,001,700		

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\$7.38.
3. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$7.64.
4. The options lapsed during the period under review upon resignation of certain eligible Talents.
5. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$8.25.
6. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$8.07.
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 2022, 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	38.53%

Note: This percentage is based on 921,610,593 ordinary shares of the Company issued as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 ("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 2022.

UPDATE ON DIRECTORS' INFORMATION

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

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company ("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 2022.

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.

The Company's current dividend payout guidance is 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.

The Board has resolved to declare an interim dividend of HK8 cents per ordinary share of the Company in cash for the six months ended 30 June 2022 ("Interim Dividend") (six months ended 30 June 2021: HK8 cents) to shareholders of the Company whose names appear on the register of members of the Company on Friday, 23 September 2022. Dividend warrants will be dispatched to shareholders of the Company on or around 13 October 2022.

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, 21 September 2022 to Friday, 23 September 2022 (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, 20 September 2022.

By Order of the Board

Cheung Chi Kin, Paul

Chairman

Hong Kong, 30 August 2022