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

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*  
**(Stock Code: 1137)**

### **ANNUAL RESULTS** **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **GROUP FINANCIAL HIGHLIGHT**

- 2022 is the third consecutive year the Group reported profitable:
  - Net profit for the year amounted to HK\$212.2 million (2021: HK\$14.3 million);
  - Adjusted EBITDA<sup>1</sup> for the year amounted to HK\$316.4 million (2021: HK\$112.7 million).
- Turnover increased by 22.3% to HK\$3,828.1 million in 2022 (2021: HK\$3,130.2 million), including 45.2% growth in multimedia advertising income and licensing of programme rights of HK\$131.6 million (2021: HK\$90.7 million);
- Strong balance sheet with net cash and liquidity position of HK\$1.05 billion (31 December 2021: HK\$1.07 billion); and
- No final dividend was declared for the year ended 31 December 2022 (31 December 2021: nil) to retain liquidity for the 5-year fulfilment construction, machinery and related CAPEX plan and new ventures investment.

#### **ECOMMERCE BUSINESS HIGHLIGHT**

- GMV on order intake<sup>2</sup> achieved a growth of 25.9% in 2022, reaching HK\$8,276.2 million (2021: HK\$6,573.1 million);
- Adjusted EBITDA as a % of GMV on completed orders at 4.9% reaching HK\$397.3 million in 2022 (2021: 2.3% reaching HK\$150.0 million);
- Achieved an overall gross profit margin and blended commission rate<sup>3</sup> for 1P and 3P Business of 23.4% in 2022 (2021: 23.7%);
- Average daily orders increased to 49,300 orders per day in December 2022 (December 2021: 41,400 orders per day), with average order value slightly decreased to approximately HK\$458 in 2022 (2021: approximately HK\$462); and
- Number of unique customers who made purchases at HKTVMall increased by 9.7% in 2022 reaching 1,412,000 (2021: 1,287,000 unique customers).

#### **2023 ECOMMERCE BUSINESS TARGETS**

The Board is pleased to announce the following business targets for the Ecommerce business in 2023:

- GMV on order intake of HK\$8.8 billion to HK\$9.2 billion (2022 actual: HK\$8.3 billion), representing a year-on-year growth of 6.3% to 11.1%;
- Total gross profit margin and blended commission rate at 24.0% to 24.5% (2022 actual: 23.4%);
- Multimedia advertising income of HK\$156.0 million (2022 actual: HK\$131.6 million);
- Key operating expenses as a % of GMV on completed orders:
  - Fulfilment costs at 11.0% to 11.2% (2022 actual: 11.4%);
  - Marketing, promotional and O2O shop marketing expenses at 2.1% to 2.8% (2022 actual: 2.4%);
  - O2O shop operating expenses at 2.2% to 2.4% (2022 actual: 1.8%);
  - Ecommerce operational and supporting costs at 4.8% to 5.0% (2022 actual: 4.8%); and
- Adjusted EBITDA as a % of GMV on completed orders at 5.0% to 5.5% (2022 actual: 4.9%).

- <sup>1</sup> Adjusted EBITDA means profit for the year plus interest on bank loans (excluded finance costs-interest on lease liabilities), income tax expense/(credit), depreciation of 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, adjusted by major non-cash item, excluded non-recurring items including government subsidies and write-off of receivables and other contract costs, net. Adjusted EBITDA profit is not a measure of performance under Hong Kong Financial Reporting Standards (“HKFRSs”). This measure does not represent, and should not be used as a substitute for, net profit or cash flows from operations as determined in accordance with HKFRSs. This measure is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definition of this measure may not be comparable to other similarly titled measures used by other companies.
- <sup>2</sup> Gross Merchandise Value (“GMV”) on order intake represents the total gross sales dollar value for merchandise sold through a particular marketplace over a certain timeframe, before deduction of any discounts offered by the marketplace, rebate used, cancellation and returns of merchandise sold.
- <sup>3</sup> Gross profit margin and blended commission rate are calculated before deduction of HKTVmall dollars and use of promotional coupon (if any), which are considered as advertising and marketing expenses under management reporting purpose, and include merchant annual fee and other service income.

## CHAIRMEN’S STATEMENT

Dear Shareholders,

Recently, we have reviewed the Group’s vision and core values, and have looked back to the Vision Statement we set when we were running telecommunication services. We noticed that over the past 30 years, even though business natures changed from international calling services to territory-wide fibre broadband networks, and then to the starting of eCommerce and different technology businesses, our core values and culture have remained unchanged — always building our cores on “infrastructure investment” and “technological research” to redefine different industries and bring changes and enhancements to human societies. No matter what kind of business we are developing, we ask ourselves to continuously strive for the best and look for innovative changes. We will also keep looking for new challenges, turning “the impossible” possible.

Talking about corporate managing culture, we have maintained “Direct and Action Oriented”, “Integrity” and a “Strong Team with Smart and Capable People” as the Group’s core foundations which can guide us to reach higher peaks and make the Group the industry pioneer in the past, now and in the future.

### **HKTVMall is Steadily Developing**

In 2022, the retail industry suffered from many unstable factors. However, the business performance of HKTVMall has maintained high growth. Compared to the results in 2021, the GMV on Order Intake in 2022 is 25.9% higher than that of 2021, which is concluded slightly above the updated target by approximately 3.5%, outperforming the overall performance of Hong Kong’s retail industry. According to the figures from Census and Statistics Department, the provisional estimate of the retail online sales value in 2022 is HK\$34.6 billion, an increase of 20.8% compared with that of 2021, which implies that online sales in Hong Kong have been growing and online shopping has become part of the daily lives of consumers. Although we believe the uncertainty of economic recovery will bring challenges to the local retail industry in 2023, we are still confident in the development of online retail businesses.

In the past few years, different corporates followed “others’ footprint” to take their first step into Hong Kong online shopping market by building all kinds of eCommerce platforms after witnessing the success of HKTVMall. However, due to different reasons, most of them quitted after running these platforms for a while. For HKTVMall, the performance of some projects did not meet our expectations, for instance, the need for food delivery for “HKTVexpress” was lower than expected, and “HKTVMall Open Databank” failed to attract the expected number of merchants to make use of it and carry out data analyses. Yet, we are determined to learn from our mistakes and fix them one by one in the coming 2-3 years to strive for a better return on our investment. In late 2022, we have already taken the lead to shift the resources used for food delivery service to an uncontested market area — wet market food express delivery — by launching a

new wet market express delivery service “Wet Market Express”, to provide customers with fresh food purchasing service at “the same price as Wet Markets” and “delivery within 3 hours”. This new service aims at expanding customers’ online shopping options, which helps to acquire new customer segment.

The above not only shows our significant execution power but, at the same time, proves that businesses can never gain their foothold successfully if they only follow others’ practices blindly. More importantly, rather than being afraid of failure, we must insist on long-term investment with continuous enhancement and attempts.

We started “Ship to Macau” Service in early 2023 and have got satisfactory results. We are working on shipping HKTVmall’s products to other overseas countries, such as the United Kingdom, so that HKTVmall may keep close contact with mid-to-high-level customers.

### **Win Together with Hong Kong Retail Industry**

Our business philosophy has been focusing on businesses that can infuse society with new values. This year, our goal is “Win Together” with Hong Kong’s retail industry. We hope that HKTVmall can grow with the merchants, and even other retailers and local or international brands, together. In hopes of empowering merchants’ and HKTVmall’s long-term and sustainable success, we are committed to increasing traffic in HKTVmall while assisting merchants to acquire new customer sources, to reduce operating expenses and to explore new business opportunities. There will be several core projects which target to “**win together with Hong Kong’s retail industry**” rolling out. Besides further consolidating our market-leading position in online shopping consumer market, we actively invest in a number of new businesses to serve Hong Kong’s retail industry and establish collaborative partnership relation through applications of advanced technology and system innovations.

#### **I. Third Party Logistics Service (“3PL Service”)**

The Group persists on looking at long-term development and keeps investing in building infrastructures. We believe “online shopping infrastructure” will become a long-term advantage that can build an effective competition barrier which can leave our competitors far behind us. Therefore, we have been actively developing B2C logistics infrastructure, including building automated fulfilment centres and intelligent logistics fleets. Now, we are putting all efforts into expanding our two logistics centres in Tsing Yi and Tseung Kwan O headquarters for developing 3PL Service.

The expansion plan is currently underway at Tseung Kwan O headquarters. The first phase of 33,000 square feet is already under construction and is targeted to be completed by Q2 of 2024. The other phases involve building a new fulfilment centre of 200,000 square feet, which is expected to be completed by 2027.

We rented an extra 144,000 square feet area for Tsing Yi Logistics Centre, investing approximately HK\$120 million in hardware machines and related CAPEX. We are optimistic about the installation progress of Automated Robotic Pick & Pack Systems, and expect to be officially launched in July 2023.

Our Third Party Logistics Centre is operated with advanced automated technology settings, equipped with robotics arms and systems to enhance efficiency and accuracy in the pick-and-pack operations, which lower operation cost for HKTVmall merchants while allowing them to gain higher profit in eCommerce business than in running their physical stores. It also further achieves our service pledge of operating all year round, including weekends and public holidays, with a fast delivery within 8 to 12 hours, which means our customers who place their orders before 10am can receive the orders at night on the same day.

In the second phase, our 3PL service will be opened to non-HKTVmall merchants, so merchants of all scales can join our 3PL services to resolve issues on warehousing, pick-and-pack as well as logistics by utilizing automated technology. In this way, it can enhance the operation efficiency of running online businesses and further promote the development of Hong Kong's eCommerce industry effectively.

## II. All-in-One “Independent eStore” Solution

Our “online shopping mall” — one of the three core pillars — which provides products from 14 categories, giving customers over 1,300,000 product and service options, is our key to gaining traffic. We will leverage the concept of the “online shopping mall” to initiate a brand-new “**independent eStore**” solution, which started recruiting new merchants in March this year and will be soft-launched in early April.

We will offer a one-stop eStore setup and management service to both local and international retailers. With a user-friendly system, merchants are allowed to set up their own domain, design, and operate their eStores in addition to managing customer orders, using various tools for marketing, promotions, and data analysis, and having flexible delivery options in one system. On top of these, merchants also have the option of running their online stores on HKTVmall at the same time and managing both online stores in one system, which aims at improving the operation efficiency to reach the greatest performance.

Except for its own domain, every “**independent eStore**” will also appear in “HKTVshops” in HKTVmall app, where approximately 1,500,000 monthly active users will be brought to merchants’ **independent eStores**, to provide merchants with stable traffic. Merchants can also analyze visitor and customer data to plan precise marketing strategies and promote their products to the targeted customer segment effectively.

### **III. Live Shopping to Bring “Video Sales”**

To supplement the social interactivity of online shopping and to allow customers to be more engaged in the shopping atmosphere and communicate more effectively with salespersons, we launched live shopping channel “HKTVLive” in early 2021 which has received overwhelming support from customers and merchants.

To help physical store retailers extend their business hours and boost sales, we will launch a new “Video Sales” service this year. We will extend the live shopping channel to non-HKTVmall merchants, allowing any merchants or retailers and local or international brand owners with physical stores to create live shows on HKTVmall App. New merchant recruitment has commenced in March, and will have a trial broadcast in mid-April this year. In the first phase, we will support 70 live channels, and we plan to officially launch it in May and gradually expand to 100 channels.

Unlike the existing HKTVLive, merchants can conduct “Video Sales” anytime and anywhere 24 hours a day, 7 days a week, using the space and salespersons in their physical stores as hosts, making use of the existing resources of physical stores thus saving additional setup costs. Customers can contact the salespersons of the physical store through HKTVmall App at any time, just like holding a video conference between customers and salespersons. Salespersons can introduce products and answer customers’ enquiries through video, and complete transactions with a simple process.

During the first year of implementation, merchants can become HKTVLive and “Video Sales” merchants for a registration fee as low as HK\$1,000, with commission rate as low as 3% based on successful orders. Merchants can choose to arrange delivery through HKTVmall or on their own, providing greater flexibility in handling customer orders.

#### **IV. Everuts — A reassuring platform matching global consumers and international personal shoppers**

Traditional retail relies on brick-and-mortar stores to choose what products to sell, and consumers can only choose from the products that have been selected by the stores. This even applies to traditional online shopping such as HKTVmall, we can only gather millions of items from thousands of merchants for customers to choose from that have no fundamental changes on the merchant-driven model.

In recent years, “personal shopping” service model has become popular. Consumers first search online for their favourite products from around the world, and then the personal shoppers can purchase the products worldwide for them. By searching online first, consumers are greeted with a wider selection, newer styles, and lower prices, releasing them from the limitations of stores. “Personal shopping” is not a new concept, but currently, such services on social media are not widespread because consumers face great risks, on main one being that they do not receive their goods after payment. In 2022, there was significant increase in scams in Hong Kong, mainly contributed by “Online Shopping Scam”, reaching 8,735 cases, where victims suffered monetary losses<sup>4</sup>.

Earlier this year, the Group launched a new cross-border “personal shopping” service called Everuts through its subsidiary Offbeat Technology Hong Kong Limited, providing a credible and trustworthy platform for personal shopping services. This platform not only matches consumers with global personal shoppers but more importantly ensures the shopper will get paid after shipping, whilst the buyer will receive the goods after payment. It can be seen as an analogy to a bank issuing a letter of credit for global import and export merchants.

A good start is to first leverage the needs of the millions of HKTVmall customers in Hong Kong. This then allows us to establish a network of thousands or even tens of thousands of international personal shoppers to which we then promote this service to consumers around the world.

<sup>4</sup>. Source: [https://www.police.gov.hk/ppp\\_en/03\\_police\\_message/pr/press-release-detail.html?refno=P202302140002](https://www.police.gov.hk/ppp_en/03_police_message/pr/press-release-detail.html?refno=P202302140002)

## **V. Patented Fully Automated Retail Store and System**

The first launch of our self-invented and patented Fully Automated Retail Store and System is set to operate in Manchester of the United Kingdom in mid-2023, and the interior decoration of the store is currently underway. During the initial phase of starting our business in the UK, we encountered many difficulties due to unfamiliarity with the local business environment and regulations. In the past year, we have resolved them one by one and adapted to the local business environment and regulations, which caused certain delay in the plan. Our engineering teams in Hong Kong and the United Kingdom are in the process of enhancing and upgrading machine design and capability and preparing for mass production.

The management strongly believes that this is a revolutionary new invention in the global retail industry. Although it is understood that this is a project that requires several years or even longer investment period, and will encounter many technical and operational difficulties, we will still insist on investing a large number of resources to ensure the success of this project.

The Group has gone through a difficult road in the past 8 years, gradually dominating the leadership position of the Hong Kong eCommerce industry that possess data from one to two million online consumers in Hong Kong. In the future, we will continue to adhere to our beliefs, fully utilize our successful experiences to provide diversified business solutions and enable different types of merchants, retailers, and brands to develop their online businesses at lower costs, promoting and leading the progress of the entire eCommerce industry.

In our latest Vision Statement this year, we have set new goals and directions for ourselves: “We will be one of the well-known technology adventurers in this city. Our track record includes international calling services and territory-wide fibre broadband networks. Currently, our products and services range from an online shopping mall, multimedia information, eCommerce fulfilment, automated logistics services, big data analysis, and impressive online customer experiences. We continuously make human lives more abundant with technology, and we’re even exploring cross-industry healthcare and medical technology projects.” Regardless of any industry, we firmly believe that investing in infrastructure and technology will bring betterment to the human society.

**Cheung Chi Kin, Paul**

*Chairman*

**Wong Wai Kay, Ricky**

*Vice Chairman*

Hong Kong, 29 March 2023

## **BUSINESS REVIEW**

### **Ecommerce Business — HKTVmall**

#### ***Surpassed Overall Retail Market Performance***

Along with the fifth wave of COVID-19 pandemic and interest rate hikes during the year, the overall Hong Kong retail market had a slight decrease by approximately 0.9% comparing to 2021<sup>5</sup>. However, at HKTVmall, though the business was challenging in particular of the increasing outbound travelling due to relaxation of social distancing measures during the fourth quarter of 2022 (“4Q2022”), we continued to surpass the overall retail market in Hong Kong with GMV on order intake increased by 25.9% reaching HK\$8,276.2 million in 2022, which accounted for

- (a) approximately 2.4% of the total Hong Kong retail sales value (2021: 1.9%);
- (b) approximately 24.0% of Hong Kong’s online retail sales value (2021: 23.0%); and
- (c) approximately 66.0% of Hong Kong’s non-store retailing value (2021: 53.4%).

While Hong Kong’s online retail sales value only attributed to 9.9% (2021: 8.1%) of the total Hong Kong retail sales value, approximately 25.0% penetration<sup>6</sup> in Asia Pacific region, this indicates there is still a large potential to grow the Ecommerce space in Hong Kong.

#### ***Proven Structural Change in Consumer Purchasing Behavior***

As mentioned in the 2022 interim report, the COVID-19 pandemic has provided a prolonged window to advance the Offline-to-Online (“O2O”) conversion on consumer behavior in the past 3 years. While the local market will gradually resume normal after the rescission of COVID-19 measures over time, and it might not be possible to maintain 100% conversion at every point of time, we manage to maintain the monthly HKTVmall active App users at approximately 1.5 million and had consistent growth on number of unique customers reaching 1,412,000 in 2022 (2021: 1,287,000), an net addition of 125,000 unique customers.

Furthermore, the quarterly average purchase frequency per customer was further increased to 5.09x in 4Q2022 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 4Q2022 versus 2.91 main categories in 4Q2021.

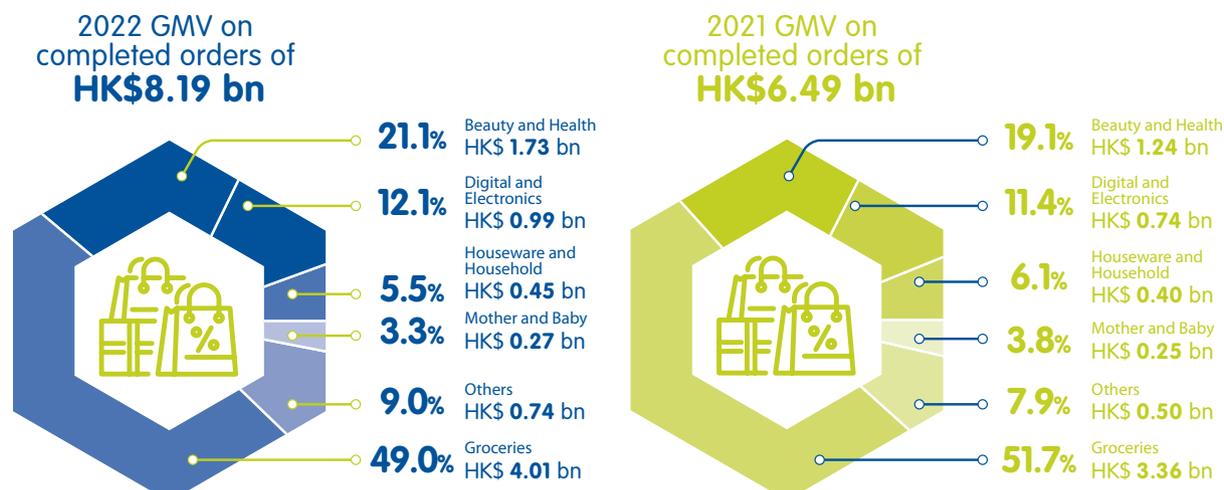
<sup>5</sup> Source: Report on Monthly Survey of Retail Sales January 2023, Census and Statistics Department of Hong Kong Special Administrative Region ([https://www.censtatd.gov.hk/en/data/stat\\_report/product/B1080003/att/B10800032023MM01B0100.pdf](https://www.censtatd.gov.hk/en/data/stat_report/product/B1080003/att/B10800032023MM01B0100.pdf))

<sup>6</sup> Source: <https://www.morganstanley.com/ideas/global-ecommerce-growth-forecast-2022>

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

On completed order basis, HKTVMall has achieved HK\$8.19 billion GMV in 2022, representing a growth of 26.1% comparing to 2021. More encouraging than this double digit growth is the across-the-line GMV growth on all major product categories, in particular on Beauty and Health increased by 39.5% and Digital and Electronics increased by 33.8% comparing to 2021.

### **Product categories distribution and GMV growth parameters**



### *1P versus 3P Business Performance*

In 2022, we further improved the proportion between direct merchandise sales (“1P Business”) and merchant concessionaire sales (“3P Business”) to approximately 30% versus 70% (2021: 33.5% versus 66.5%) which continue to increase the operational efficiency.

The total gross profit margin and blended commission rate was 23.4% for 2022 (2021: 23.7%) which is in line with our FY2022 guidance of 23.4%.

Multimedia advertising income has a substantial increase by 45.4% reaching HK\$131.6 million which has outperformed the FY2022 guidance of \$120.0 million.

## GROSS PROFIT MARGIN AND BLENDED COMMISSION RATE

*In thousands of Hong Kong dollars unless specified except for ratios*

	For the year ended 31 December 2022 <i>HK\$'000</i>	For the year ended 31 December 2021 <i>HK\$'000</i>
<b>On completed orders and on adjusted basis<sup>7</sup></b>		
<b>Direct merchandise sales</b>		
GMV on completed orders <sup>7,8</sup>	2,465,635	2,117,536
Cost of inventories	<u>(1,819,490)</u>	<u>(1,575,052)</u>
Gross profit	646,145	542,484
Gross profit margin	<u>26.2%</u>	<u>25.6%</u>
<b>Income from concessionaire sales and other service income</b>		
GMV on completed orders <sup>7</sup>	5,722,502	4,377,057
Merchant payments (net off by other service income)	<u>(4,456,562)</u>	<u>(3,383,393)</u>
Income from concessionaire sales and other service income <sup>9</sup>	1,265,940	993,664
Blended commission rate	<u>22.1%</u>	<u>22.7%</u>
<b>Total GMV on completed orders<sup>7</sup></b>	<b>8,188,137</b>	<b>6,494,593</b>
<b>Total gross profit and income from concessionaire sales and other service income<sup>8,9</sup></b>	<b>1,912,085</b>	<b>1,536,148</b>
<b>Total gross profit margin and blended commission rate</b>	<b><u>23.4%</u></b>	<b><u>23.7%</u></b>
<b>Multimedia advertising income and licensing of programme rights</b>		
Multimedia advertising income	131,597	90,529
Other programme license	<u>33</u>	<u>138</u>
	<b>131,630</b>	<b>90,667</b>
Gross contribution from Ecommerce business segment	2,043,715	1,626,815
Income from Technology business segment	<u>5,357</u>	<u>893</u>
Gross contribution from Ecommerce and Technology business segment	<b><u>2,049,072</u></b>	<b><u>1,627,708</u></b>

<sup>7</sup> GMV on completed orders represents the total gross sales dollar value for merchandise sold through a particular marketplace and the customer has obtained control of the promised goods and services ordered over a certain time frame, after deduction of any discounts offered by the marketplace, cancellation and returns of merchandise, and is before the deduction of certain HKTVmall dollars and promotional coupon which is considered as advertising and marketing expenses under management reporting purpose.

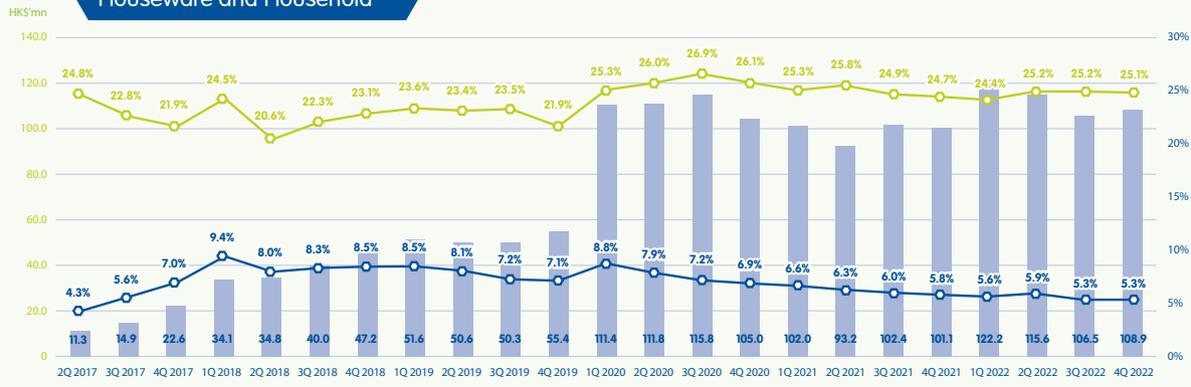
<sup>8</sup> For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVmall dollars of HK\$718,000 (2021: HK\$1,839,000) and use of promotional coupon of HK\$39,297,000 (2021: HK\$68,503,000).

<sup>9</sup> For income from concessionaire sales and other service income, it is before the deduction of net HKTVmall dollars of HK\$496,000 (2021: HK\$2,254,000) and included merchant annual fee amortisation and other service income.

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



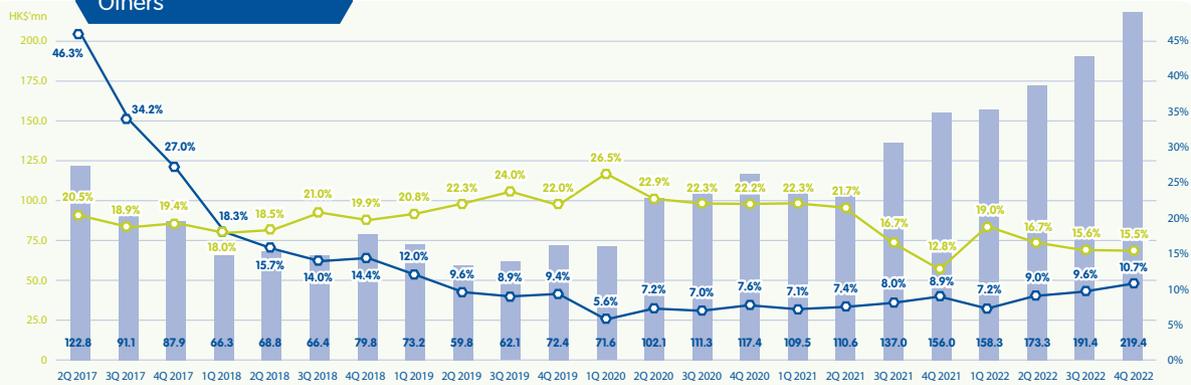
### Houseware and Household



### Mother and Baby



### Others

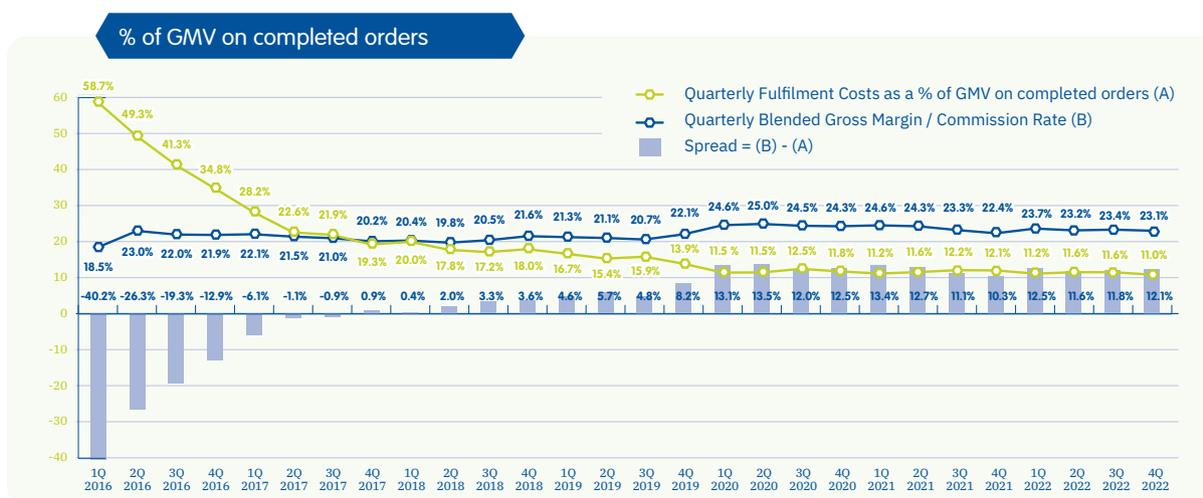


■ Quarterly GMV on completed orders (HK\$ million)  
● Quarterly proportion of GMV on completed orders  
○ Quarterly gross profit margin and blended commission rate

## Planned and Disciplined Fulfilment Cost Efficiency

On fulfilment and logistics, we experienced an exceptionally low fulfilment cost % at 11.2% in the first quarter of 2022 (“1Q2022”) given the high volume of GMV achieved caused by the fifth wave of COVID-19 though partially was offset by the incremental costs incurred to increase the fulfilment manpower during the period. The fulfilment cost % resumed to 11.6% in the second and the third quarter of 2022 (“2Q2022” and “3Q2022”).

Given the higher GMV on completed orders in 4Q2022 relative to 2Q2022 and 3Q2022 by 5.6% and 3.2% respectively, together with additional costs were incurred for COVID-19 and summer hardship allowances during 2Q2022 and 3Q2022 but none was incurred in 4Q2022, the fulfilment cost % was lower in 4Q2022 at 11.0%.



### Remark:

1. Quarterly Fulfilment Costs as a % of GMV on completed orders included the interest on lease liabilities of HK\$10.1 million, HK\$7.4 million, HK\$5.9 million and HK\$4.8 million for year 2022, 2021, 2020 and 2019 respectively under HKFRS 16 in relation to fulfilment centre, which is grouped under finance costs in the consolidated income statement.
2. Quarterly Blended Gross Margin/Commission Rate for 3Q2021 and 4Q2021 have absorbed the merchant incentive rebate for 2021 which yield to a lower rate.
3. 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.

### *New Product Segment*

To further expand the customer base and purchase frequency, we continued to explore new product segments to enrich the product choices at HKTVmall.

#### *Wet Market Express Delivery*

With the relaxation of various social distancing measures by the government in the second half of 2022, we noticed a decline in demands for food delivery services. Moreover, we are aware of a new uncontested business opportunity in wet market food product express delivery arising from increasing demand for home cooking due to changes in consumer behavior and mindfulness on wellness. According to government statistics, the total market size for “Fish, livestock and poultry, fresh or frozen” and “Fruits and vegetables, fresh”, which are the major items selling in wet market, attributed to HK\$15.5 billion. This represents a huge potential to expanding our product offering to customers<sup>5</sup>.

We, therefore, ceased our food delivery service operation during the year and shifted our resources to build a new Wet Market Express Delivery service under HKTVmall and quickly established the service to cover 7 wet markets in 7 different districts including Ma On Shan, Shatin, Tai Po, Tuen Mun, Tsuen Wan, Tseung Kwan O and Yuen Long by the end of 2022. This does not only expand the wet market product choices to our existing customer but also open HKTVmall to a new customer segment in need of wet market products with express delivery within 3 hours.

In December 2022, the average daily order number reached 260 orders with average order value at approximately HK\$350. This new service is getting popular in a short period of time since launch and hence, we have built our express delivery team and now already covering 9 wet markets aiming to expand further to 13 covering approximately 75% of existing customer base in 2023. We are confident that this new service will strengthen the leading position of HKTVmall by converting offline wet market shoppers into online recurring customers.

#### *UKstore by HKTVmall*

To further expand the product choices at HKTVmall, in November 2022, we newly launched UKstore by HKTVmall offering a few hundred British supermarket products, such as teabags, biscuits, chips, drinking powders, breakfast choices, wine, etc., directly sourced and imported from United Kingdom. The selling price is made reference to local UK retail price so as to achieve “British Taste, British Rate”. This UKstore has given additional options to Hong Kong customers without the travelling hassle. Again, at HKTVmall, you can shop whatever, whenever, wherever with your fingertips.

## **Technology Business**

In the mid of 2022, due to financial and commercial consideration of its parent company, EESE — an online shopping mall, with its platform powered by Shoalter Technology (by providing its end-to-end Ecommerce solution for software as a service (SaaS)), has ceased its operation after running for about 8 months. This decision did reinforce our confidence in continuing to dominate the Hong Kong's online shopping segment as so far, 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 venture project initiatives immediately. Please refer to Prospect section for details and progress of these new venture projects.

## **FINANCIAL REVIEW**

During the year, the Group recorded a 26.1% growth on GMV on completed orders, reaching HK\$8,188.1 million (2021: HK\$6,494.6 million).

The Group's turnover increased by 22.3% to HK\$3,828.1 million in 2022 (2021: HK\$3,130.2 million) which is composed of:

1. HK\$2,425.6 million from direct merchandise sales (2021: HK\$2,047.2 million);
2. HK\$1,265.4 million from concessionaire sales and other service income (2021: HK\$991.4 million);
3. HK\$131.6 million from multimedia advertising income and licensing of programme rights (2021: HK\$90.7 million); and
4. HK\$5.4 million from Technology business income (2021: HK\$0.9 million).

With the 18.5% growth in direct merchandise sales, the cost of inventories increased by 15.5% to HK\$1,819.5 million (2021: HK\$1,575.1 million), which drove an increase in gross profit margin to 26.1% (2021: 25.6%).

In 2022, other operating expenses increased by HK\$266.4 million to HK\$1,868.7 million (2021: HK\$1,602.3 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 to 20.4% in 2022 (2021: 22.8%).

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

	<b>2022</b>		2021	
	As a % of GMV on completed orders	<i>HK\$ million</i>	As a % of GMV on completed orders	<i>HK\$ million</i>
<b>Fulfilment costs (note 1)</b>	<b>11.4%</b>	<b>932.3</b>	11.8%	767.3
<b>Marketing, promotional and O2O shop marketing expenses</b>	<b>2.4%</b>	<b>193.1</b>	4.1%	265.8
<b>O2O shop operating expenses (note 2)</b>	<b>1.8%</b>	<b>146.2</b>	2.1%	136.4
<b>Ecommerce operation and supporting costs</b>	<b>4.8%</b>	<b>393.5</b>	4.8%	310.5
<b>Ecommerce business segment key operating expenses</b>	<b>20.4%</b>	<b>1,665.1</b>	22.8%	1,480.0
<b>Technology business segment key operating expenses (note 3)</b>		<b>73.7</b>		41.6
<b>Other unallocated operating expenses (note 4)</b>		<b>46.2</b>		19.3
<b>Total key operating expenses</b>		<b>1,785.0</b>		1,540.9
<b>Major non-cash items (note 5)</b>		<b>137.3</b>		143.3
<b>Less: Marketing, promotional and O2O shop marketing expenses deducted in turnover</b>		<b>(40.5)</b>		(72.6)
<b>Less: Interest on lease liabilities included in finance costs</b>		<b>(13.1)</b>		(9.3)
<b>Total other operating expenses</b>		<b>1,868.7</b>		1,602.3

*Notes:*

1. Including depreciation — other properties leased for own use of HK\$64.1 million (2021: HK\$54.8 million) and interest on lease liabilities of HK\$8.3 million (2021: HK\$7.4 million).
2. Including depreciation — other properties leased for own use of HK\$74.8 million (2021: HK\$61.0 million) and interest on lease liabilities of HK\$2.6 million (2021: HK\$1.9 million).
3. Including depreciation — other properties leased for own use of HK\$4.6 million (2021: HK\$2.2 million) and interest on lease liabilities of HK\$0.4 million (2021: nil).
4. Including depreciation — other properties leased for own use of HK\$5.6 million (2021: HK\$1.5 million) and interest on lease liabilities of HK\$1.8 million (2021: nil).
5. Excluding depreciation — other properties leased for own use of HK\$149.2 million (2021: HK\$119.5 million).

- 1) **Fulfilment costs** which include warehousing and logistics functions as well as shop pick up costs allocation, recorded an increase in 2022. This was primarily due to the full year effect caused by the addition of a new fulfilment centre in Tsing Yi in July 2021 to increase cold storage and O2O shop inventory replenishment capacities, as well as the increased use of daily rate manpower and outsource service providers, particularly during 1Q2022 when the number of orders rapidly increased under the fifth wave of COVID-19 pandemic breakout. However, despite these challenges, we saw an increase in average daily orders from 39,000 in 2021 to 49,500 in 2022, resulting in operational cost efficiency. The total fulfilment costs as a percentage of GMV on completed orders decreased from 11.8% to 11.4% in 2022.
- 2) **Marketing, promotional and O2O shop marketing expenses** in 2022 included promotional coupons and HKTVmall dollars grant, digital marketing, promotional leaflet, O2O shop marketing costs, etc., and all related functions' Talent costs.

Including the HK\$40.5 million (2021: HK\$72.6 million) HKTVmall dollars granted and promotional coupons used which was deducted in the turnover in the consolidated income statement, the total expenses accounted for 2.4% of GMV on completed orders (2021: 4.1%) at HK\$193.1 million (2021: HK\$265.8 million). The decrease in cost percentage was primarily attributed to the launch of the “\$350/\$500 eGift Voucher Program” in 2021 with the objective of maintaining HKTVmall’s competitiveness in the marketplace amidst the disbursement of the Government’s Consumption Voucher Scheme, and as a result of this initiative, promotional coupon expenses amounting to HK\$86.6 million were recorded in 2021 but no such large scale promotion campaign launched in 2022.

- 3) **O2O shop operating expenses** includes the shop running expenses and relevant Talent costs incurred, net of recharge of shop pick up costs to fulfilment costs, which was dropped from 2.1% of GMV on completed orders in 2021 to 1.8% in 2022. The number of O2O shop network were 93 in December 2022 (including 5 mega stores) and 93 in December 2021 (including 1 mega store).
- 4) **Ecommerce operation and supporting costs** includes payment processing charges, merchant relations and acquisition, customer service, information technology, and other supporting functions. In 2022, these costs increased by HK\$83.0 million to HK\$393.5 million. However, these costs as a percentage of GMV on completed orders remained at 4.8% in both years. This stable cost percentage was attributed by an improvement in cost efficiency gained from the enlarged GMV on completed orders during the year.
- 5) **Technology business segment key operating expenses** primarily consist of research and development costs incurred for Technology business which do not qualify for capitalisation as either intangible assets or other contract costs, as well as allocated costs from shared supporting functions. These expenses increased mainly due to the full-year impact of the set-up and expansion of new operations in Taiwan and the United Kingdom during 2021; and the write-off of receivables and other contract costs, amounting to HK\$13.6 million, in connection with the cessation of the EESE operation.
- 6) **Other unallocated operating expenses** mainly represented the expenses of head office and corporate expenses and others not allocated to Ecommerce business or Technology business, and included the start up operating expenses of Everuts and 3PL service.
- 7) **Major non-cash items** mainly included depreciation on property, plant and equipment, amortisation of intangible assets, amortisation of other contract costs, and equity-settled share-based payments. There was a HK\$5.8 million increase in depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use), which was primarily driven by the consent fee paid for the change of use of Tseung Kwan O headquarters, and the renovation and equipment for the additional fulfilment centre in Tsing Yi that was added in July 2021. Additionally, there were equity-settled share-based expenses (after capitalisation) of HK\$1.1 million recorded in 2022, compared to HK\$7.0 million in 2021.

During the year ended 31 December 2022, a valuation gain of the Group on investment properties of HK\$0.7 million (2021: HK\$16.1 million) was recognised based on the valuation carried out by an independent firm of surveyors at year end.

Other income, net, of HK\$15.5 million was earned in 2022 (2021: HK\$47.1 million), which mainly composed of investment returns generated from other financial assets and bank deposits of HK\$22.2 million (2021: HK\$19.9 million), rental income from investment properties of HK\$23.8 million (2021: HK\$23.8 million), partially net off by the unrealised fair value loss on units in investment funds measured at FVPL of HK\$13.3 million (2021: HK\$7.9 million), provision for expected credit losses on debt securities measured at FVOCI of HK\$42.2 million (2021: reversal of HK\$0.6 million), and net exchange loss of HK\$6.0 million (2021: gain of HK\$3.2 million). There was also a HK\$18.7 million government subsidies recognised in 2022 whereas no such subsidies were recorded in 2021. The significant decrease in other income, net, 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 defaulted as a result of the Russia-Ukraine conflict and international sanction measures imposed on Russia's financial system.

Finance costs is mainly composed of interest on lease liabilities of HK\$13.2 million (2021: HK\$9.4 million).

An income tax credit of HK\$69.8 million was recognised in 2022 (2021: HK\$8.2 million) included a deferred taxation credit of HK\$71.3 million (2021: HK\$10.0 million).

Overall, the Group generated a profit for the year of HK\$212.2 million for 2022 relative to HK\$14.3 million for 2021 and an adjusted EBITDA profit of HK\$316.4 million versus HK\$112.7 million in 2021.

If excluding the Technology business segment and other unallocated operating adjusted EBITDA, the adjusted EBITDA profit for Ecommerce business is HK\$397.3 million in 2022 versus HK\$150.0 million in 2021.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2022, the Group had total cash position representing cash at bank and in hand of HK\$705.8 million (31 December 2021: HK\$624.2 million) and no outstanding borrowings. The increase in total cash position was mainly due to the cash inflow generated from operating activities of HK\$554.0 million, the cash inflow from net investment in financial assets of the investment portfolio of HK\$28.1 million, interest and investment income received of HK\$22.9 million, net proceeds of HK\$19.9 million from issuance of new shares for exercised share options during the year, and proceeds received from disposal of property, plant and equipment of HK\$1.2 million, partially net off by the capital and interest element of lease rentals paid of HK\$151.1 million, payment made for purchases of property, plant and equipment of HK\$276.2 million, interim dividend paid of HK\$73.8 million and increase in payment for the addition to intangible assets of HK\$43.3 million.

On investment in other financial assets, the Group has invested, at fair value, HK\$344.5 million as at 31 December 2022 (as at 31 December 2021: HK\$444.0 million). As at 31 December 2022, there was a net deficit of HK\$21.6 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2021: a net deficit of HK\$6.3 million). During the year, the total fair value change on other financial assets (after netting of expected credit losses recognised) amounted to deficit of HK\$72.5 million (as at 31 December 2021: HK\$15.5 million), in which deficit of HK\$57.1 million (as at 31 December 2021: HK\$7.4 million), deficit of HK\$8.5 million (as at 31 December 2021: HK\$5.9 million) and deficit of HK\$6.9 million (as at 31 December 2021: 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 31 December 2022 and 31 December 2021, the Group had not utilised any uncommitted banking facilities, leaving HK\$979.7 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 bank and in hand and term deposits within three months of maturity, if any. As at 31 December 2022 and 31 December 2021, the Group had not pledged any bank deposits as securities 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 31 December 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 2022, the Group invested HK\$260.4 million on capital expenditure as compared to HK\$228.2 million in 2021. For the upcoming capital expenditure requirements, we will remain cautious and it is expected to be funded by internal resources within the Group and the available banking facilities. Overall, the Group's financial position remains sound for continued business expansion.

### **Fund raising activity**

For the purpose of strengthening the Group's financial position and the medium term funding of its expansion and growth plan, on 11 February 2020, the Company entered into a placing agreement ("Placing Agreement") with Top Group International Limited (the "Vendor") and UBS AG Hong Kong Branch (the "placing agent") and a subscription agreement ("Subscription Agreement") with the Vendor, pursuant to which the placing agent agreed to place, on a fully underwritten basis, 90,000,000 existing ordinary shares of the Company to not less than six independent placees at HK\$5.15 per share (the "Placing"), and the Vendor agreed to subscribe for 90,000,000 new ordinary shares of the Company (the "Subscription Shares") at HK\$5.15 per share (the "Subscription"). The 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:

<b>Intended use of net proceeds</b>	<b>Amount intended to be utilised <i>HK\$ million</i></b>	<b>Amount utilised as at 31 December 2021 <i>HK\$ million</i></b>	<b>Amount utilised as at 31 December 2022 <i>HK\$ million</i></b>	<b>Expected timeline of utilisation</b>
<b>Expansion of the Ecommerce and related business of the Group:</b>				
(i) Expansion of e-fulfilment centre at Tseung Kwan O Headquarters	200	3.7	150.5	By the end of 2023
(ii) Adding the 6th fulfilment centre	40	6.1	40.0	By the end of 2022
(iii) Adding around 200 to 250 delivery trucks	around 90 to 110	26.1	35.7	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
<b>Total</b>	<u>453.2</u>	<u>159.1</u>	<u>349.4</u>	

### **Charge on Group Assets**

As of 31 December 2022, the Group's banking facilities of HK\$979.7 million were secured by the Group's other financial assets of HK\$344.5 million and cash of HK\$80.3 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 31 December 2022 and 31 December 2021, the Group had no material contingent liabilities or off-balance-sheet obligations.

## **PROSPECTS**

The core values of HKTV Group are “Continuously striving for the best in life”, “Always something new” and “Make everything possible”. We define these values when we were building the largest alternative optical fiber network in Hong Kong back in 2000s which has all the way governed the development and growth of the Group. These are the foundation to enable the sustainability of HKTV Group. In particular, we are technology-centric and visionary. We always look for innovation and use technology to redefine the industry and to form a new set of barriers with infrastructures for a longer term of future.

We understand the development costs of all new initiatives and venture projects will affect the short-term profitability of the Group, nevertheless, they are crucial for the Group’s growth and shareholders’ return in the long run.

### **Hong Kong Ecommerce Business**

On Hong Kong eCommerce Business, we maintain our mid-term target to generate GMV on Order Intake of HK\$12.0 billion to HK\$15.0 billion (representing approximately 3.4% to 4.3% of 2022 Hong Kong Total Retail Sales Value<sup>5</sup>) by 2026.

For the year under review, the local retail sector had suffered in 2022 and 2023 is starting with lots of uncertainties including elevated interest rate environments, volatile global and local stock and credit markets, unveiled impact from recent financial market turmoil, accelerated border re-openings, etc. are expected to have significant impacts on the recovery of Hong Kong economy. All these will make the local retail industry another challenging year in 2023.

As a result, we are cautious in setting our 2023 business targets on Hong Kong eCommerce Business. We maintain our positive view on the growth momentum of Hong Kong eCommerce development, in particular on growing the number of online customers, their purchase frequencies and product categories purchased at HKTVmall. Nevertheless, we also expect some consumers’ purchasing power may be shifted from high value products to low value products due to challenges of local economy and household disposable income.

In this regard, Merchant Engagement to increase the number and variety of merchants and product categories are key to strengthen our market leading position in 2023. In this regard, certain initiatives are planned to launch during the year.

- (a) **HKTVLive** — Enhanced concurrent interactive channels target to trial launch by April 2023 with official launch by May 2023.

HKTVLive — Live Shopping Channels at HKTVmall will enable the merchants, retailers and local or international brand owners to have their own online shopping interactive channels making use of their full product knowledge, physical shop space and idle hours to extend the offline sales hours to as long as the online operation up to 24 hours a day and 7 days a week. On trial launch, HKTVLive will start with about 70 interactive channels, and target to extend to 100 interactive channels over time, which can run concurrently at HKTVmall.

Again, enhanced HKTVLive will connect merchants, retailers and local or international brand owners to approximately 1.5 million potential customers for direct engagement and interaction to simulate immediate interactive purchases, and a direct payment link will be sent to customers straight away to lock up the transaction.

In addition to a registration fee of as low as HK\$1,000, on each successful order placed, the Group shall charge a commission at 3% of the order value and merchants or retailers will be responsible for arranging their last mile delivery to customers.

- (b) **Market Expansion Beyond Hong Kong** — Target to launch in the second quarter of 2023 for United Kingdom

We notice there is a business opportunity from the increase in emigrating Hong Kong permanent residents. Taking advantage of our well-established infrastructure, approximately 4,800 merchants and suppliers and over 1.3 million wide spectrum of product items at HKTVmall, we are expanding our last mile delivery to locations beyond Hong Kong by partnering with third party logistics service providers.

Our first expansion market is Macau which had its trial launch in December 2022 targeting local Macau residents as well as Mainland Chinese visitors. Our next market will be the United Kingdom with highly competitive shipping charges at as low as 50% off from normal market price. We shall continue to explore business opportunities in other locations, such as Canada, Australia, etc..

## HKTVMall 2023 Target

<b>Business Target</b>	<b>2023 Target</b>	<b>2022 Actual Achievement</b>
Annual GMV on Order Intake	HK\$8.80 billion to HK\$9.20 billion	HK\$8.28 billion
Blended gross profit margin and commission rate (before including multimedia advertising income)	24.0%–24.5%	23.4%
Multimedia advertising income	HK\$156.0 million	HK\$131.6 million
Key operating expenses as a % of GMV on completed orders:		
(a) Fulfilment costs	11.0%–11.2%	11.4%
(b) Marketing, promotional and O2O shop marketing expenses	2.1%–2.8%	2.4%
(c) O2O shop operating expenses	2.2%–2.4%	1.8%
(d) Ecommerce operational and supporting costs	4.8%–5.0%	4.8%
Adjusted EBITDA (at cost basis) as a % of GMV on completed orders	5.0%–5.5% (Approximately HK\$440.0 million to HK\$506.0 million)	4.9%

## Technology Business and New Venture Projects

2023 is going to be a year full of NEW VENTURES at HKTV Group — **new, exciting, and challenging**, aiming to **bring new business opportunities, to nurture our next generation leaders, and to monetize the solid 1.5 million monthly HKTVmall App user base** we built in the past 8 years.

While we continue to explore, build, and run different new ventures with our technology DNA, in 2023, different new ventures are under the pipeline to launch locally and internationally, including the below major projects:

(a) **Everuts** — A new application officially launched in January 2023

Everuts is a new-found and credible social commerce platform with over 500 registered personal shoppers currently offering personal shopping services around the globe. There is also an additional over 1500 individuals with pending applications, eager to join to help consumers find their items. We aim to do this by connecting consumers who want to purchase products internationally with personal shoppers located at different locations. Personal Shoppers around the globe will then purchase based on the consumers' request on their behalf. These personal shoppers can be professional traders, brands sales associates.

(b) **Third-Party Logistics Service (“3PL Service”)** — Target to trial launch by April 2023 with official launch by July 2023

We started to develop our 3PL Service and Solution, including adding an additional 144,000 square feet fulfilment center, setting up automated fulfilment system and developing tailored made software programming, etc. during 2H2022. Our 3PL Service will provide stock in, storage, replenishment, picking and packing process through the automated fulfilment operations.

There are two main purposes of this venture:

- i. To enable our merchant to reduce fulfilment costs through automation technology and be able to fulfil customer orders 364 days all year round just like our own inventory at HKTVmall; and
- ii. To further improve our last mile delivery for self-owned inventory and merchant products under 3PL service to as quick as 8 hours including weekend and public holiday, which is targeted to launch in second half of 2023 with further enhanced logistics arrangement (i.e., Customers placing orders by noon, we shall be able to deliver customer orders in the same evening; Customers places orders by 10pm, we shall be able to deliver customer orders in the next morning).

We shall charge our merchants a minimum fixed fee for storage and separate fees on other services on usage basis which is estimated to be 2.0% — 6.0% of GMV subject to the selling price of the product items. 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.

- (c) **HKTVshops** — Target to trial launch by April 2023 with official launch by July 2023.

A self-developed all-in-one eStore solution enable any local and international retailers to set up, design and operate its eStore with dedicated website domain.

Unlike other similar solutions available in the market, HKTVshops can bring unmatched value to merchants, including

- i. **Traffic:** Leverage on HKTVmall’s 1.5 million monthly App users to drive strong and recurring customer traffic to the eStore operated under HKTVshops;
- ii. **Market exposure:** Navigation entrance, marketing exposure and search results inclusion at HKTVmall App can largely enhance the product exposure to any visitors to HKTVmall App;
- iii. **Data:** Enable the merchants to build their own customer database including visitor behavior which are crucial in developing its online product, pricing and promotional strategy; and
- iv. **Efficiency:** Allow merchants who are running an eStore at HKTVshops and eStore at HKTVmall as a marketplace to manage product portfolio and inventory through a single merchant management system.

For successful registration at HKTVshops by end of June 2023, we shall charge an annual fee of HK\$1,999 and on order basis, a commission at 4% of order value for HKTVshops merchants.

- (d) **Patented Fully Automated Retail Store and System** — Target to launch the first pilot store around the mid of 2023 if no further technical or regulatory issue. In the meantime, the Hong Kong and the United Kingdom engineering team is in the process of enhancing and upgrading machine design and capability and preparing for mass production.

To actualize new venture project development, certain investments are required to make before proving its viability. In 2023, we expect the Technology business and New Venture projects in total may incur an adjusted EBITDA loss of approximately HK\$140 million. We will closely monitor the new venture project development and will perform a full review on each project in 2 years' time to redefine its next move.

### **Update on Core CAPEX Plan for Fulfilment Capacity Expansion**

In 2021 annual report, we announced a 5-year CAPEX plan for sustaining Ecommerce business mid-term target to achieving HK\$12.0 billion to HK\$15.0 billion GMV on order intake by 2026. In order to achieve this target as well as to prepare for further growth capacity, we preliminarily planned to invest approximately HK\$860.0 million for the consent fee for converting entire site at Tseung Kwan O headquarters to permit for Ecommerce and Technology use and for the construction costs of expanding our self-owned infrastructure at Tseung Kwan O headquarters by phases in 5 years' time. Together with the plan to add additional fulfilment facilities under long term leases, we expect to expand the total automated fulfilment capacity from 570,000 square feet to over 900,000 square feet over time.

A year passed, we hereby summarised the progress and update on CAPEX plan as below, subject to future inflation and market conditions:

- (a) During the year, we have settled the consent fee with Hong Kong Science & Technology Parks Corporation for converting the entire site at Tseung Kwan O headquarters to permit for Ecommerce and Technology use;
- (b) A long lease for additional floor with gross floor area of approximately 144,000 square feet in Tsing Yi fulfilment center was added and taken up in October 2022 for our first 3PL automated fulfilment center. We are investing approximately HK\$120 million (including committed CAPEX made in 2022) for deployment of automated system and other related CAPEX items therein. The deployment is now in full force of installation and commissioning and target to be fully launched by July 2023 and be able to handle approximately 100,000 SKUs; and
- (c) Tseung Kwan O headquarters expansion plan
  - i. Phase 1: In progress to adding additional floor on top of the existing fulfilment center of approximately 33,000 square feet, which is targeted to be completed by 2Q2024 and is estimated to invest approximately HK\$140 million for construction (including committed CAPEX made in 2022) and HK\$70 million for machineries. Upon completion, it can approximately double the Group's current parcel sorting capacity;

- ii. Phase 2: Under planning to mainly converting existing 30,000 square feet facilities for loading and unloading processes and pallet storage purpose, which is targeted to be completed by 3Q2024 and is preliminarily estimated to invest approximately HK\$55 million for construction costs;
- iii. Phase 3: Under planning to build a new block of fulfilment center of approximately 200,000 square feet including approximately 170,000 square feet for efulfilment which will be 2 times of the 3PL capacity currently under development in our Tsing Yi fulfilment center targeting to be completed by 2027, with final gross floor area and design subject to business need and market conditions. The preliminary estimated CAPEX is HK\$650 million for construction and another HK\$200 million for machineries.

With the above updates on the core CAPEX plans on infrastructure and facilities, we updated our 5-year CAPEX Plan for Tseung Kwan O headquarters expansion from 2023 onward to approximately HK\$1,115 million mainly for construction and machinery costs.

Apart from the above, we are also exploring the possibility to acquire a piece of land in the northern part of New Territories for building another automated fulfilment center to prepare for business expansion. The decentralized fulfilment hubs design can also enable us to shorten the entire fulfilment lead time to better serve our customers.

## RESULTS

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2022.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>Year ended 31 December 2022 HK\$'000</b>	Year ended 31 December 2021 HK\$'000
<b>Turnover</b>	3	<b><u>3,828,051</u></b>	<u>3,130,164</u>
Direct merchandise sales	3	<b>2,425,620</b>	2,047,194
Cost of inventories		<b><u>(1,819,490)</u></b>	<u>(1,575,052)</u>
		<b>606,130</b>	472,142
Income from concessionaire sales and other service income	3	<b>1,265,444</b>	991,410
Multimedia advertising income and licensing of programme rights	3	<b>131,630</b>	90,667
Technology business income	3	<b>5,357</b>	893
Valuation gains on investment properties		<b>650</b>	16,100
Other operating expenses	5(a)	<b>(1,868,744)</b>	(1,602,323)
Other income, net	4	<b>15,506</b>	47,126
Finance costs	5(b)	<b><u>(13,613)</u></b>	<u>(9,915)</u>
<b>Profit before taxation</b>		<b>142,360</b>	6,100
Income tax credit	7	<b><u>69,844</u></b>	<u>8,165</u>
<b>Profit for the year</b>		<b><u>212,204</u></b>	<u>14,265</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>212,204</b>	14,780
Non-controlling interests		<b><u>–</u></b>	<u>(515)</u>
<b>Profit for the year</b>		<b><u>212,204</u></b>	<u>14,265</u>
<b>Earnings per share</b>	9		
<b>Basic</b>		<b><u>HK\$0.23</u></b>	<u>HK\$0.02</u>
<b>Diluted</b>		<b><u>HK\$0.22</u></b>	<u>HK\$0.02</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>Year ended 31 December 2022 HK\$'000</b>	<b>Year ended 31 December 2021 HK\$'000</b>
<b>Profit for the year</b>		<b>212,204</b>	14,265
<b>Other comprehensive income for the year</b>	6		
<i>Item that will not be reclassified to profit or loss:</i>			
Equity instruments designated at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)		(6,851)	(2,177)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of overseas subsidiaries		587	159
Debt securities measured at fair value through other comprehensive income — net movement in fair value reserve (recycling)		(8,539)	(5,891)
		<b>(7,952)</b>	(5,732)
Other comprehensive income for the year		<b>(14,803)</b>	(7,909)
<b>Total comprehensive income for the year</b>		<b>197,401</b>	6,356
<b>Attributable to:</b>			
Equity shareholders of the Company		197,401	6,871
Non-controlling interests		—	(515)
<b>Total comprehensive income for the year</b>		<b>197,401</b>	6,356

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in Hong Kong dollars)

		<b>31 December 2022</b>	31 December 2021
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,971,551</b>	1,751,803
Intangible assets		<b>103,209</b>	71,343
Long-term receivables, deposits and prepayments		<b>147,194</b>	65,403
Other financial assets	<i>10</i>	<b>292,791</b>	268,733
Deferred tax assets		<b>81,252</b>	9,952
		<b>2,595,997</b>	2,167,234
<b>Current assets</b>			
Other receivables, deposits and prepayments		<b>121,175</b>	155,379
Inventories and other contract cost assets		<b>144,791</b>	134,128
Other current financial assets	<i>10</i>	<b>51,742</b>	175,305
Cash and cash equivalents		<b>705,807</b>	624,247
		<b>1,023,515</b>	1,089,059
<b>Current liabilities</b>			
Accounts payable	<i>11</i>	<b>354,627</b>	254,004
Other payables and accrued charges	<i>11</i>	<b>443,665</b>	409,462
Deposits received		<b>5,757</b>	5,757
Tax payable		<b>611</b>	2,381
Lease liabilities		<b>164,098</b>	125,405
		<b>968,758</b>	797,009
<b>Net current assets</b>		<b>54,757</b>	292,050
<b>Total assets less current liabilities</b>		<b>2,650,754</b>	2,459,284

	<b>31 December</b>	31 December
	<b>2022</b>	2021
<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>1,566</b>	1,391
Lease liabilities	<b>440,395</b>	396,625
	<u><b>441,961</b></u>	<u>398,016</u>
<b>NET ASSETS</b>	<u><b>2,208,793</b></u>	<u>2,061,268</u>
<b>CAPITAL AND RESERVES</b>	<i>12</i>	
Share capital	<b>1,800,972</b>	1,774,173
Reserves	<b>407,821</b>	287,610
Total equity attributable to equity shareholders of the Company	<b>2,208,793</b>	2,061,783
Non-controlling interests	<u>–</u>	<u>(515)</u>
<b>TOTAL EQUITY</b>	<u><b>2,208,793</b></u>	<u>2,061,268</u>

*Notes:*

## **1 BASIS OF PREPARATION**

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be 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 Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The annual results set out in the announcement are extracted from the Group's consolidated financial statements for the year which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The Group's consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties and investments in other financial assets are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 2 CHANGES IN ACCOUNTING POLICIES

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

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

## 3 TURNOVER AND SEGMENT INFORMATION

### (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").

#### (i) Disaggregation of revenue

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

	<b>Year ended 31 December 2022 HK\$'000</b>	Year ended 31 December 2021 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by nature		
— Direct merchandise sales	2,425,620	2,047,194
— Income from concessionaire sales and other service income	1,265,444	991,410
— Multimedia advertising income and licensing of programme rights	131,630	90,667
— Technology business income	5,357	893
	<u>3,828,051</u>	<u>3,130,164</u>
Disaggregated by timing of revenue recognition		
— Point in time	3,619,126	2,983,386
— Over time	208,925	146,778
	<u>3,828,051</u>	<u>3,130,164</u>

- (ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

No aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts as at 31 December 2022 (2021: HK\$74,107,000).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15, such that it does not disclose the information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the unsatisfied (or partially satisfied) contracts outstanding as at the end of the reporting period, as such unsatisfied performance obligations have an original expected duration of one year or less.

**(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.

- (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, deferred tax 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 year plus interest on bank loans (excluded finance costs — interest on lease liabilities), 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.

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 years ended 31 December 2022 and 2021 is set out below.

For the year ended 31 December	Ecommerce business		Technology business		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	3,619,126	2,983,386	–	–	3,619,126	2,983,386
Over time	203,568	145,885	5,357	893	208,925	146,778
<b>Revenue from external customers</b>	<b>3,822,694</b>	3,129,271	<b>5,357</b>	893	<b>3,828,051</b>	3,130,164
Inter-segment revenue	–	–	124,874	95,549	124,874	95,549
<b>Reportable segment revenue</b>	<b>3,822,694</b>	3,129,271	<b>130,231</b>	96,442	<b>3,952,925</b>	3,225,713
<b>Reportable segment profit/(loss) (EBITDA)/(EBITDA loss)</b>	<b>352,246</b>	107,581	<b>(21,312)</b>	(6,509)	<b>330,934</b>	101,072
<b>Reportable segment profit/(loss) (adjusted EBITDA)/(adjusted EBITDA loss)</b>	<b>343,982</b>	112,586	<b>(6,305)</b>	(3,763)	<b>377,677</b>	108,823

For the year ended 31 December	Ecommerce business		Technology business		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	24	1	8	7	32	8
Write-off of receivables and other contract costs, net	(2,712)	–	(13,583)	–	(16,295)	–
Inter-segment finance costs	(5,385)	(3,702)	–	–	(5,385)	(3,702)
Depreciation and amortisation for the year (excluded depreciation on other properties leased for own use)	(109,445)	(107,379)	(8,811)	(4,892)	(118,256)	(112,271)
<b>As at 31 December</b>						
Reportable segment assets	2,040,483	1,885,236	207,707	149,426	2,248,190	2,034,662
Additions to non-current segment assets during the year	258,135	421,627	102,760	51,206	360,895	472,833
Reportable segment liabilities	1,207,252	1,264,850	85,170	45,688	1,292,422	1,310,538

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

	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	3,952,925	3,225,713
Elimination of inter-segment revenue	(124,874)	(95,549)
Revenue (note 3(a))	<u>3,828,051</u>	<u>3,130,164</u>

	<b>Year ended 31 December 2022 HK\$'000</b>	Year ended 31 December 2021 HK\$'000
<b>Profit</b>		
<b>Reportable segment profit (EBITDA)</b>	<b>330,934</b>	101,072
Income tax credit	<b>70,203</b>	9,295
Interest income	<b>32</b>	8
Depreciation — on property, plant and equipment (excluded depreciation on other properties leased for own use)	<b>(113,249)</b>	(111,202)
Amortisation of intangible assets	<b>(4,204)</b>	(932)
Amortisation of other contract costs	<b>(803)</b>	(137)
Unallocated head office, corporate and other net (expense)/income	<b>(70,709)</b>	16,161
<b>Profit for the year</b>	<b>212,204</b>	14,265

*(iii) Reconciliation of reportable segment assets*

	<b>31 December 2022 HK\$'000</b>	31 December 2021 HK\$'000
Reportable segment assets	<b>2,248,190</b>	2,034,662
Elimination of inter-segment receivables	<b>(170,990)</b>	(151,236)
Unallocated head office and corporate assets and others (included inter-segment loan and investments in financial assets)	<b>1,542,312</b>	1,372,867
Consolidated total assets	<b>3,619,512</b>	3,256,293

(iv) Reconciliation of reportable segment liabilities

	<b>31 December 2022 HK\$'000</b>	31 December 2021 HK\$'000
Reportable segment liabilities (included inter-segment loan)	<b>1,292,422</b>	1,310,538
Elimination of inter-segment payables	<b>(170,990)</b>	(151,236)
Unallocated head office and corporate liabilities and others	<b>289,287</b>	35,723
	<hr/>	<hr/>
Consolidated total liabilities	<b><u>1,410,719</u></b>	<b><u>1,195,025</u></b>

(v) Geographical 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 INCOME, NET**

	<b>Year ended 31 December 2022 HK\$'000</b>	Year ended 31 December 2021 HK\$'000
Bank interest income	<b>2,140</b>	152
Dividend and investment income from other financial assets	<b>6,076</b>	5,251
Interest income from other financial assets	<b>13,955</b>	14,509
Loss on disposal of other financial assets	–	(14)
Unrealised fair value losses on units in investment funds measured at fair value through profit or loss (“FVPL”)	<b>(13,263)</b>	(7,945)
(Provision)/reversal of expected credit losses on debt securities measured at fair value through other comprehensive income (“FVOCI”)	<b>(42,247)</b>	592
Rentals from investment properties	<b>23,774</b>	23,774
Net exchange (loss)/gain	<b>(6,018)</b>	3,188
Government subsidies ( <i>note (i)</i> )	<b>18,728</b>	–
Others	<b>12,361</b>	7,619
	<hr/>	<hr/>
	<b><u>15,506</u></b>	<b><u>47,126</u></b>

*Note:*

- (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 (“HKSAR”). 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.

## 5 PROFIT BEFORE TAXATION

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

	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
<b>(a) Other operating expenses</b>		
Depreciation		
— owned property, plant and equipment	91,577	92,561
— right-of-use assets	179,728	143,314
Advertising and marketing expenses (excluding HK\$40,511,000 (2021: HK\$72,596,000) being deducted in turnover)	108,068	169,669
Auditor's remuneration	3,050	2,826
Gain on disposal of property, plant and equipment	(815)	(463)
Write-down and write-off of inventories	20,957	27,328
Talent costs ( <i>note 5(c)</i> )	842,688	709,374
Amortisation of intangible assets	12,043	14,072
Amortisation of other contract costs — Technology business	803	137
Total outgoings of investment properties	1,605	1,603
Outsourced fulfilment expenses	270,597	205,473
Payment processing charges	92,593	76,942
Owned motor vehicles running expenses	44,762	34,305
Software licenses and registration fee	26,833	18,894
Utilities, consumables and office expenses	53,430	46,583
Write-off of receivables and other contract costs, net	16,295	—
Write-off of goodwill	—	897
Others	104,530	58,808
	<u>1,868,744</u>	<u>1,602,323</u>
<b>(b) Finance costs</b>		
Interest on lease liabilities	13,122	9,355
Bank charges	491	560
	<u>13,613</u>	<u>9,915</u>
<b>(c) Talent costs</b>		
Wages and salaries	852,896	700,496
Retirement benefit costs — defined contribution plans	31,879	25,674
Equity-settled share-based payment expenses	2,189	9,025
Less: Talent costs capitalised as intangible assets and other contract costs	(44,276)	(25,821)
Talent costs included in other operating expenses	<u>842,688</u>	<u>709,374</u>

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

## 6 OTHER COMPREHENSIVE INCOME

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

	2022			2021		
	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax expense	Net-of-tax amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling)	(6,851)	—	(6,851)	(2,177)	—	(2,177)
Exchange difference on translation of financial statements of overseas subsidiaries	587	—	587	159	—	159
Debt securities measured at FVOCI — net movement in fair value reserve (recycling)	<u>(8,539)</u>	<u>—</u>	<u>(8,539)</u>	<u>(5,891)</u>	<u>—</u>	<u>(5,891)</u>
Other comprehensive income	<u>(14,803)</u>	<u>—</u>	<u>(14,803)</u>	<u>(7,909)</u>	<u>—</u>	<u>(7,909)</u>

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

	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling):		
— Changes in fair value recognised during the year	<u>(6,851)</u>	<u>(2,177)</u>
Debt securities measured at FVOCI — net movement in fair value reserve (recycling):		
— Changes in fair value recognised during the year	(50,786)	(5,313)
— Reclassified to profit or loss upon disposal	—	14
— Reclassified to profit or loss for provision/(reversal) of expected credit losses	<u>42,247</u>	<u>(592)</u>
	<u>(8,539)</u>	<u>(5,891)</u>

## 7 INCOME TAX CREDIT

The provision for Hong Kong Profits Tax for the year ended 31 December 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Taxation for overseas branch of a subsidiary is calculated at 20% (2021: 20%) of the estimated assessable profits for the year.

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

	<b>Year ended 31 December 2022 HK\$'000</b>	Year ended 31 December 2021 HK\$'000
<b>Current taxation</b>		
Hong Kong Profits Tax	222	993
Overseas	1,059	630
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<u>(71,125)</u>	<u>(9,788)</u>
	<u><b>(69,844)</b></u>	<u><b>(8,165)</b></u>

## 8 DIVIDENDS

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

	<b>Year ended 31 December 2022 HK\$'000</b>	Year ended 31 December 2021 HK\$'000
Interim dividend declared and paid of HK8 cents per share (2021: HK8 cents per share)	<u><b>73,759</b></u>	<u><b>73,335</b></u>

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2022 (31 December 2021: nil).

In respect of the interim dividend for the six months ended 30 June 2022, there was a difference of HK\$30,000 (31 December 2021: HK\$29,000) between interim dividend disclosed in the 2022 interim financial report and amounts declared and paid during the year which represented dividends attributable to new shares issued upon the exercise of 372,000 (31 December 2021: 361,600) share options, before the closing date of the register of members.

## 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 year ended 31 December 2022 of HK\$212,204,000 (31 December 2021: HK\$14,780,000) and the weighted average of 921,241,000 ordinary shares (31 December 2021: 916,160,000 ordinary shares) in issue during the year, calculated as follows:

### Weighted average number of ordinary shares

	<b>Year ended 31 December 2022 '000</b>	Year ended 31 December 2021 '000
Issued ordinary shares at 1 January	<b>917,007</b>	911,274
Effect of share options exercised	<b>4,234</b>	4,886
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<b>921,241</b>	916,160
	<hr/> <hr/>	<hr/> <hr/>

The calculation of diluted earnings per share for the year ended 31 December 2022 is based on the profit attributable to equity shareholders of the Company for the year of HK\$212,204,000 (31 December 2021: HK\$14,780,000) and the weighted average number of ordinary shares of 947,786,000 (31 December 2021: 954,590,000), after adjusting for the effect of dilutive potential ordinary shares under share option scheme during the year.

### Weighted average number of ordinary shares (diluted)

	<b>Year ended 31 December 2022 '000</b>	Year ended 31 December 2021 '000
Weighted average number of ordinary shares at 31 December	<b>921,241</b>	916,160
Effect of deemed issue of shares under the Company's share option scheme	<b>26,545</b>	38,430
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<b>947,786</b>	954,590
	<hr/> <hr/>	<hr/> <hr/>

## 10 OTHER FINANCIAL ASSETS

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
<b>Equity instruments designated at FVOCI (non-recycling)</b>		
— Equity securities	21,620	21,132
— Perpetual bonds	59,480	75,957
	<u>81,100</u>	<u>97,089</u>
<b>Debt securities measured at FVOCI (recycling)</b>		
— Maturity dates within 1 year	51,742	175,305
— Maturity dates over 1 year	162,790	109,480
	<u>214,532</u>	<u>284,785</u>
<b>Units in investment funds measured at FVPL</b>	<u>48,901</u>	<u>62,164</u>
	<u>344,533</u>	<u>444,038</u>
<b>Representing</b>		
— Non-current portion	292,791	268,733
— Current portion	51,742	175,305
	<u>344,533</u>	<u>444,038</u>

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

## 11 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Accounts payable ( <i>note (a)</i> )	354,627	254,004
Contract liabilities	245,797	237,501
Other payables and accrued charges ( <i>note (b)</i> )	197,868	171,961
	<u>443,665</u>	<u>409,462</u>
	<u>798,292</u>	<u>663,466</u>

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

	<b>31 December 2022 HK\$'000</b>	31 December 2021 HK\$'000
Current–30 days	<b>340,717</b>	245,823
31–60 days	<b>6,045</b>	1,810
61–90 days	<b>2,170</b>	689
Over 90 days	<b>5,695</b>	5,682
	<b><u>354,627</u></b>	<b><u>254,004</u></b>

(b) Other payables and accrued charges

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

## 12 CAPITAL AND RESERVES

Note	Attributable to equity shareholders of the Company										
	Share capital HK\$'000	Retained profits HK\$'000	Revaluation reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2021</b>	1,747,693	123,544	183,338	3,546	(1,780)	(157)	43,330	(1,826)	2,097,688	-	2,097,688
<b>Changes in equity for 2021:</b>											
Profit for the year	-	14,780	-	-	-	-	-	-	14,780	(515)	14,265
Other comprehensive income	6	-	-	(5,891)	(2,177)	159	-	-	(7,909)	-	(7,909)
<b>Total comprehensive income</b>	-	14,780	-	(5,891)	(2,177)	159	-	-	6,871	(515)	6,356
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits	-	(22)	-	-	22	-	-	-	-	-	-
Shares issued under share option scheme	26,480	-	-	-	-	-	(4,946)	-	21,534	-	21,534
Equity settled share-based transactions	5(c)	-	-	-	-	-	9,025	-	9,025	-	9,025
Dividend paid	-	(73,335)	-	-	-	-	-	-	(73,335)	-	(73,335)
<b>Balance at 31 December 2021 and 1 January 2022</b>	<u>1,774,173</u>	<u>64,967</u>	<u>183,338</u>	<u>(2,345)</u>	<u>(3,935)</u>	<u>2</u>	<u>47,409</u>	<u>(1,826)</u>	<u>2,061,783</u>	<u>(515)</u>	<u>2,061,268</u>
<b>Changes in equity for 2022:</b>											
Profit for the year	-	212,204	-	-	-	-	-	-	212,204	-	212,204
Other comprehensive income	6	-	-	(8,539)	(6,851)	587	-	-	(14,803)	-	(14,803)
<b>Total comprehensive income</b>	-	212,204	-	(8,539)	(6,851)	587	-	-	197,401	-	197,401
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits	-	(35)	-	-	35	-	-	-	-	-	-
Shares issued under share option scheme	26,799	-	-	-	-	-	(5,105)	-	21,694	-	21,694
Equity settled share-based transactions	5(c)	-	-	-	-	-	2,189	-	2,189	-	2,189
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(515)	(515)	515	-
Dividend paid	-	(73,759)	-	-	-	-	-	-	(73,759)	-	(73,759)
<b>Balance at 31 December 2022</b>	<u>1,800,972</u>	<u>203,377</u>	<u>183,338</u>	<u>(10,884)</u>	<u>(10,751)</u>	<u>589</u>	<u>44,493</u>	<u>(2,341)</u>	<u>2,208,793</u>	<u>-</u>	<u>2,208,793</u>

## **TALENT REMUNERATION**

Including the Directors, as at 31 December 2022, the Company had 2,186 permanent full-time Talents versus 2,083 as of 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 and life insurance coverage, competitive retirement benefits schemes, staff training programs and operates share option schemes.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES**

Throughout the year ended 31 December 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors of the Company (the "Company Code").

Having made specific enquiry with the Directors, all of them have confirmed that they have fully complied with the required standard set out in the Model Code and the Company Code throughout the year ended 31 December 2022.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee has reviewed and discussed with the management of the Company the audited financial results for the year ended 31 December 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.

## **FINAL DIVIDEND**

An interim cash dividend of HK8 cents (six months ended 30 June 2021: HK8 cents) per ordinary share of the Company was paid on 13 October 2022.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022 to retain liquidity for the 5-year fulfilment construction, machinery and related CAPEX plan and new ventures investment. No final dividend was declared for the year ended 31 December 2021.

## **ANNUAL GENERAL MEETING (“AGM”)**

The AGM will be held on Friday, 30 June 2023. Notice of the AGM and the Company’s annual report will be published and dispatched respectively in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023, both days inclusive, during which period no transfer of shares will be effected, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the Company’s forthcoming AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration 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 no later than 4:30 p.m. on Monday, 26 June 2023.

By Order of the Board  
**Hong Kong Technology Venture Company Limited**  
**Cheung Chi Kin, Paul**  
*Chairman*

Hong Kong, 29 March 2023

*As at the date of this announcement, the Board comprises:*

*Executive Directors:*

Mr. Cheung Chi Kin, Paul (*Chairman*)

Mr. Wong Wai Kay, Ricky (*Vice Chairman and Group Chief Executive Officer*)

Ms. Wong Nga Lai, Alice (*Group Chief Financial Officer and Company Secretary*)

Mr. Lau Chi Kong (*Chief Executive Officer (International Business)*)

Ms. Zhou Huijing (*Chief Executive Officer (Hong Kong)*)

*Independent Non-executive Directors:*

Mr. Lee Hon Ying, John

Mr. Peh Jefferson Tun Lu

Mr. Mak Wing Sum, Alvin