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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 2021**

2021 OPERATIONAL HIGHLIGHT

1. GMV on order intake¹ in 2021 achieved 10.4% growth in 2021 reaching HK\$6,573.1 million (2020: HK\$5,953.7 million);
2. Average daily orders increased to 41,400 orders per day in December 2021 (December 2020: 36,300 orders per day), with average order value decreased to approximately HK\$462 in 2021 (2020: approximately HK\$504); and
3. Number of unique customers who made purchases at HKTVMall increased by 16.3% in 2021 reaching 1,287,000 (2020: 1,107,000).

2021 FINANCIAL HIGHLIGHT

1. Turnover increased by 8.8% to HK\$3,130.2 million in 2021 (2020: HK\$2,877.9 million), including almost 4 times growth in multimedia advertising income of HK\$90.5 million (2020: HK\$23.5 million);
2. Achieved an overall gross profit margin and blended commission rate² of 23.7% in 2021 (2020: 24.6%);
3. 2021 is the second consecutive year the Group reported a net profit. Net profit and adjusted EBITDA³ for the year amounted to HK\$14.3 million (2020: HK\$183.6 million) and HK\$112.7 million (2020: HK\$236.2 million) respectively. The results were lower than 2020 due to the following reasons:
 - a. HK\$86.6 million promotional coupon expenses incurred for the launch of \$350/\$500 eGift Voucher Program in response to the fierce competition in the retail market; and
 - b. A one-off non-recurring government subsidies of approximately HK\$70.9 million was received in 2020 while there was no similar subsidy received in 2021;
4. Strong balance sheet with net cash and liquidity position of HK\$1.07 billion (31 December 2020: HK\$1.28 billion);
5. No final dividend was declared for the year ended 31 December 2021 (31 December 2020: nil).

2022 BUSINESS TARGETS

Subject to the development of geopolitical and economic environment, and the impact of COVID-19 pandemic, the Board has updated the following business targets for the Ecommerce business in 2022:

1. GMV on order intake of HK\$8.0 billion to HK\$8.5 billion (2021 actual: HK\$6.57 billion), representing a year-on-year growth of 21.7% to 29.4%;
2. Total gross profit margin and blended commission rate at 23.4% (2021 actual: 23.7%);
3. Multimedia advertising income of HK\$120.0 million (2021 actual: HK\$90.5 million);
4. Key operating expenses as a % of GMV on completed orders:
 - a. Fulfilment costs at 12.0% to 13.5% (2021 actual: 11.7%);
 - b. Marketing, promotional and O2O shop marketing expenses at 3.0% to 3.8% (2021 actual: 4.1%);
 - c. O2O shop operating expenses at 2.0% to 2.2% (2021 actual: 2.1%);
 - d. Ecommerce operational and supporting costs at 4.2% to 4.4% (2021 actual: 4.8%); and
5. Adjusted EBITDA as a % of GMV on completed orders at 2.0% to 2.5% (2021 actual: 2.3%).

- ¹ Gross Merchandise Value (“GMV”) on order intake represents the total gross sales dollar value for merchandise sold through a particular marketplace over a certain timeframe, before deduction of any discounts offered by the marketplace, rebate used, cancellation and returns of merchandise sold.
- ² 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.
- ³ 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 items and excluding the government subsidies. 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.

CHAIRMEN’S STATEMENT

Dear Shareholders,

This year marks the 30th anniversary since the establishment of the Group, which is also the 25th anniversary for listing on the Hong Kong Stock Exchange. We always remind our colleagues that the success of the Group lies in striking balance for the interest among investors, staff and customers. We hope that our colleagues who spend their time here feel that this is where they can fully demonstrate their strength. Investors are able to have good return. Consumers can get better services, which is unique in the market, in terms of innovation and quality. “Always Something New” means looking for new challenges, being innovative in resolving issues; which has also been the key characteristic of the Group over the past 30 years, and which has been our foundation for success.

HKTVMall in 2021

In 2021, HKTVMall achieved strong growth in business, outperforming the overall retail industry in Hong Kong. When we talk about success, it does not only consist of customer number or turnover growth. The success that HKTVMall attained in 2021 mainly means that over the past year, more retailers and brand authorized dealers in Hong Kong recognized that they need a platform like HKTVMall to expand their online business. If we call HKTVMall the leader in online retailing in Hong Kong, this does not imply that customers have no other choices (in fact, there are lots of choices available online for consumers). We are indeed referring to the fact that retailers and brand authorized dealers have no better choices for “online shopping mall” in Hong Kong. We provide the perfect one stop solution ranging from sales, warehousing, last mile delivery, to settlement and after sales services.

In 2021, what HKTVMall did disappointingly was the “30% off eGift Voucher” program. That was the first time that the Government launched consumption voucher and we were worried that if the offer made by HKTVMall was not attractive enough, consumers would turn to other sales channels thereby undermining our long term growth. As a result, the deep discount seriously impacted the second half financial results for the Group. This taught us a major lesson. We should not merely focus on “marketing promotion”, but should devote more resources to enhance service levels. In fact, customers doing online shopping may attach more importance to service quality rather than just “price cut”. Some investors or our own colleagues might have misunderstood. They assumed that we are selling supermarkets, beauty, skincare and health supplement products. In fact, our main offers are “freedom of choice” and “quality fulfilment service”.

Sustaining our No.1 position in Hong Kong Online Shopping Mall

To further enhance and complete our fulfilment service, we will launch an important project in two phases by the end of 1H2022 and 1H2023. The aim is to shorten the delivery lead time for customer orders. In phase one, the order cutoff time will be changed from 9am each day to 1pm. This means that for customers placing orders before 1pm, they will receive their purchases on the next day. The target for phase two is to enable goods to be delivered to customers the next morning so long as the order is placed before midnight. To achieve this target, we must be able to provide third party logistics service. Also, the top 85% merchant products will be stored and picked in HKTVmall automated fulfilment centre. Therefore, we will build a larger logistics warehouse with most of the merchants making use of our logistics service on paid basis with us handling their goods. This will not only enhance the quality of customer fulfilment service, but will also enhance the bonding and mutual reliance between us and the merchants.

The fifth wave pandemic has brought many long term negative consequences. As you all know, the impact has been profound. Industries across the board are all badly hit. Even after the fifth wave pandemic subsides, we believe that it will take at least one to two years to restore the economy to normal level. Having to go through this experience brought by the fifth wave pandemic, retailers have lingering fears about the situation and will no doubt become more cautious in expanding physical outlets in future, while putting more resources in online retailing.

All in all, this is the best time for HKTVmall to leverage on its solid foundation to continue investing more in online shopping business compared to other Hong Kong companies, whether it is software technology, automated warehouse, fulfilment logistics fleet and big data analysis. We will continue to be the No.1 online shopping mall in Hong Kong. We have set a target earlier that the overall GMV on order intake will reach HK\$12 billion to HK\$15 billion in 3 to 5 years. We are confident that this target is highly achievable.

Insights from Shoalter Technology Limited

Despite the efforts made in the last year or so, the project of promoting “online shopping mall” system and software of Shoalter Technology Limited (“Shoalter”) to global markets is fraught with difficulties. It is simply “too difficult”. It turns out that, many large corporates and organizations lack talents who are good at both technology and business. Even though we can provide the entire set of software system, even though they understand that this is the “future” and a must-have for retailing, even though they understand that there is “huge market potential”, they do not have the confidence to develop a large online shopping mall from scratch. While Shoalter faces development constraints in Hong Kong, we will look for overseas market development in full force after the pandemic. At the same time, we will devote full efforts to provide full suite of technology support, to assist EESE, to become a successful role model.

On the other hand, this may be good news to us. According to the local big conglomerates whom we have contacted, their wariness has nothing to do with our systems. After thorough study, they consider that this business is too difficult! This makes us even more confident that in the foreseeable future, HKTVmall will maintain our unique position in Hong Kong online shopping market.

The globally unique “Fully Automated Retail Store” built by Shoalter Automation Limited

We have completed the installation for the first “Fully Automated Retail Store” with pilot run in software and hardware in full swing. We are confident that the first several “Fully Automated Retail Stores” will be launched in UK within this year as planned. At the same time, Amazon Fresh and Tesco in UK, have opened six to seven “unmanned stores” in London. The technologies deployed are totally different from ours. They installed several hundreds of camera on the ceiling of a normal store, in order to use visual analytic technology to analyze every “action” of the customers to determine whether they are buying certain goods and debit their credit cards directly. Although this model can bring entry and exit convenience to customers, there is no competitive advantage in terms of operating costs. In reality, as what we have seen in London, the manpower required is more than a normal store. And as they need to cater for the operation of visual analysis, the goods on shelves have to be tidier. They also need more security guards to prevent theft.

Our patented invention is indeed a totally different technology concept. The store will be operating 24 hours and will not require any manpower for surveillance and theft prevention. Labour costs are saved significantly. We strongly believe that this model is the perfect solution in cost efficiency for “unmanned store” or “Fully Automated Retail Store”.

Without doubt, we have to face many challenges and difficulties when attempting to open any new market. We will proceed step by step and tread carefully in developing the UK market. Meanwhile, we are studying other European markets, such as Switzerland or North Europe, where labour costs are even higher and hence the competitiveness of our system is even more conspicuous.

In order to continue enhancing the functions and technology of “Fully Automated Retail Store” system, we will continue to invest in technology research and development, including imaging artificial intelligence and automated picking system.

The Group was renamed as “Hong Kong Technology Venture” last year. We think this befits us. Over the past 30 years, the successes that the Group has achieved in various industries mainly derived from our attitude — dare to try, dare to fail, dare to examine and make use of technology to transform every industry. This applied to IDD telecom, fibre broadband and even TV content production. Investing in technology may fail, and we cannot be sure of the chance of success. On the contrary, if we do not give it a try, there is certainly no chance of success. The management of the Group hopes investors and our colleagues appreciate this. This is exactly what sets us apart and helps us do much better compared to other conglomerates. The DNA of our entire team from top to bottom is full of venturing spirit, which is the “soul” lacking in most of the big corporates.

Cheung Chi Kin, Paul

Chairman

Wong Wai Kay, Ricky

Vice Chairman

Hong Kong, 30 March 2022

BUSINESS REVIEW

Ecommerce Business — HKTVmall

2021 is the second consecutive year that HKTVmall turned profitable though this was a strenuous year comparing to 2020. From ending the fourth wave of COVID-19 inflections with zero local transmission case to having Omicron variant driven wave of the pandemic emerging in Hong Kong, the retail market has experienced ups and downs during 2021. In particular, various stimulus measures implemented by the government, including the launch of Consumption Voucher Scheme, has highly increased the competition in the entire consumption market. In this regard, the growth at HKTVmall in 2021 was not as aggressive as in previous years, nevertheless, HKTVmall still performed better than the overall retail market. According to government statistics⁴:

- (1) Hong Kong's retail market only had 8.1% growth in 2021 versus 2020 while at HKTVmall, our GMV on order intake has a growth rate of 10.4% reaching HK\$6,573.1 million in 2021; and
- (2) HKTVmall's GMV on order intake accounted for approximately 53.4% of 2021 Hong Kong's Non-Store Retailing Value.

The foundation stone of our leading position in Hong Kong's online shopping mall segment is solidly built, and this is brought by our complimentary 1P and 3P end-to-end business model and our "Always Something New" attitude.

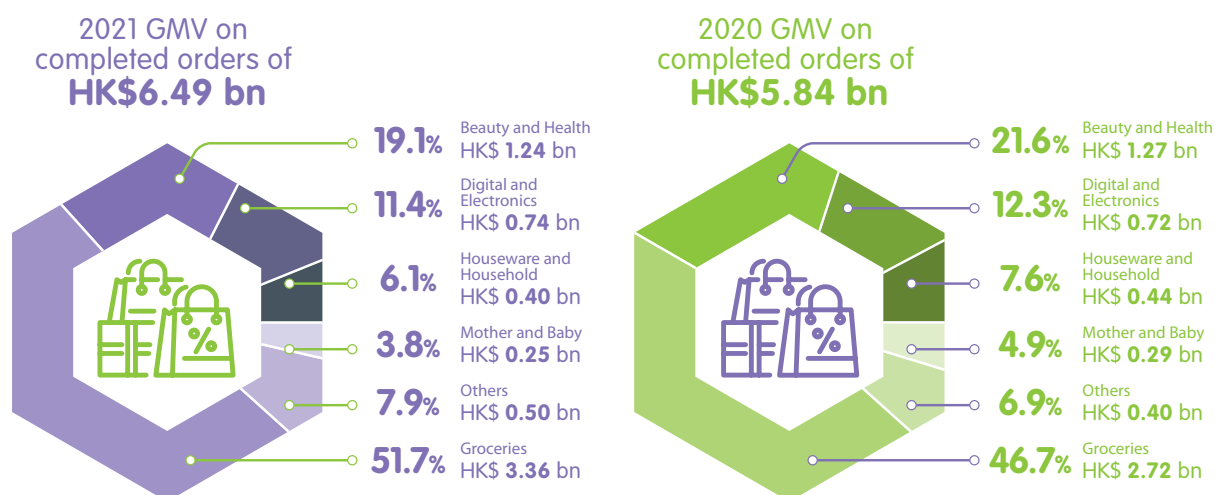
1P and 3P Business Performance

In 2021, despite the fierce competition in the retail market, the Group's Ecommerce business was still able to achieve 11.2% increment on GMV on completed orders reaching HK\$6,494.6 million (2020: HK\$5,838.1 million) with direct merchandise sales ("1P Business") attributed to 32.6% (2020: 34.5%) and merchant concessionaries sales ("3P Business") attributed to 67.4% (2020: 65.5%).

In terms of major product category distribution, below graph has demonstrated the substantial growth in groceries, from attributing to 46.7% of GMV on completed orders in 2020 to 51.7% in 2021, which forms the solid foundation to drive for offline to online conversion on other product categories along economic recovery over time.

⁴ Source: Report on Monthly Survey of Retail Sales January 2022, Census and Statistics Department of Hong Kong Special Administrative Region (https://www.censtatd.gov.hk/en/data/stat_report/product/B1080003/att/B10800032022MM01B0100.pdf)

Product categories distribution and GMV growth parameters



Nevertheless, the total gross profit margin and blended commission rate has a slight drop from 24.6% in 2020 to 23.7% in 2021.

GROSS PROFIT MARGIN AND BLENDED COMMISSION RATE

In thousands of Hong Kong dollars unless specified except for ratios

	For the year ended 31 December 2021	For the year ended 31 December 2020
On completed orders and on adjusted basis⁵		
Direct merchandise sales		
GMV on completed orders ^{5,6}	2,117,536	2,015,536
Cost of inventories	(1,575,052)	(1,463,465)
Gross profit	542,484	552,071
Gross profit margin	25.6%	27.4%
Income from concessionaire sales and other service income		
GMV on completed orders ⁵	4,377,057	3,822,604
Merchant payments (net off by other service income)	(3,383,393)	(2,939,871)
Income from concessionaire sales and other service income ⁷	993,664	882,733
Blended commission rate	22.7%	23.1%
Total GMV on completed orders⁵	6,494,593	5,838,140
Total gross profit and income from concessionaire sales and other service income^{6,7}	1,536,148	1,434,804
Total gross profit margin and blended commission rate	23.7%	24.6%

On completed orders and on adjusted basis⁵	For the year ended 31 December 2021	For the year ended 31 December 2020
Multimedia advertising income and licensing of programme rights		
Multimedia advertising income	90,529	23,518
Other programme license	138	286
	90,667	23,804
Gross contribution from Ecommerce business segment	1,626,815	1,458,608
Income from Technology business segment	893	–
Gross contribution from Ecommerce and Technology business segment	1,627,708	1,458,608

- 5 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.
- 6 For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVmall dollars of HK\$1,839,000 (2020: HK\$19,490,000) and use of promotional coupon of HK\$68,503,000 (2020: HK\$25,720,000).
- 7 For income from concessionaire sales and other service income, it is before the deduction of net HKTVmall dollars of HK\$2,254,000 (2020: addition of HK\$1,021,000) and included merchant annual fee amortisation and other service income.

The decrease in total gross profit margin and blended commission rate was mainly caused by two reasons to sustain HKTVmall's long term business growth:

(1) To maintain the attractiveness of HKTVmall's traffic catalyst

During 2021, various tightening prevention measures on COVID-19 implemented by government in reducing gatherings has increased the demand on food and groceries products. These demands have attracted more new players to the market and price cut was observed particularly in the offline supermarket chains which made the groceries segment became highly competitive in Hong Kong. In this regard, in order to maintain our leading position in the online groceries segment, we lowered the gross margin of the 1P Business to 25.6% in 2021 (2020: 27.4%) to defend the competition.

The traffic at HKTVmall was successfully retained, take HKTVmall App as an example, the monthly traffic was maintained at approximately 1.5 million unique App users. This is particularly important to draw the traffic to HKTVmall so as to expand the repeated purchase customer base to groom 3P Business.

(2) *To incentivize merchant partners to expand product choices at HKTVmall*

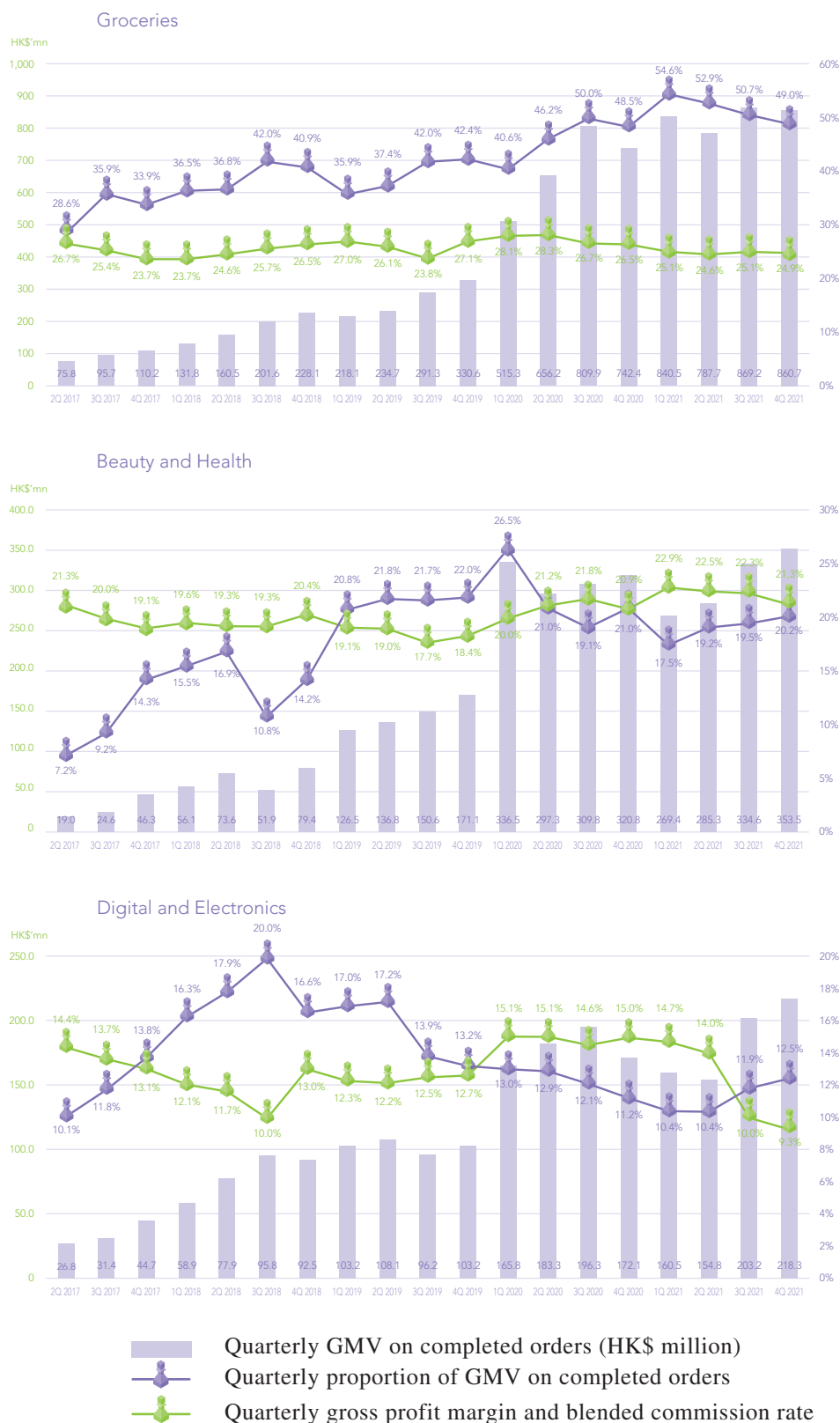
Benefiting from the growing traffic, in 2021, GMV on completed orders from 3P Business achieved a growth by 14.5% with a blended commission rate at 22.7% (2020: 23.1%). The slight decrease in blended commission rate was mainly caused by two reasons:

- a. As a means to motivate merchant partners to push their own business at HKTVmall, we offered an incentive scheme to selected merchants to over achieve the set GMV target for commission rebate. This explains the reason why we had a lower blended commission rate in 3rd quarter of 2021 (“3Q2021”) and 4th quarter of 2021 (“4Q2021”) when the rebate started to kick in after exceeding the GMV targets.
- b. In order to expand the electronics and gadgets, and home appliances product choices at HKTVmall, during mid of the year, we have extended the merchant delivery fulfilment option which is at lower commission rates to a wider range of products so as to attract more merchants in these two categories to join HKTVmall. This explained the reason why the blended commission rate of digital and electronics product has decreased from 14.7% in 1st quarter of 2021 (“1Q2021”) to 9.3% in 4Q2021, in return for increased GMV on completed orders from HK\$160.5 million in 1Q2021 to HK\$218.3 million in 4Q2021.

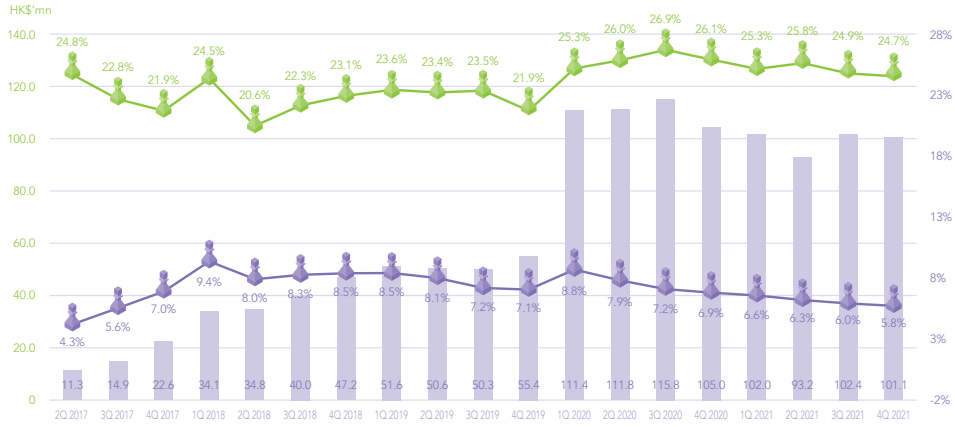
2021 is a difficult year for many offline merchants in Hong Kong in particular for small and medium-size enterprises (SMEs). While HKTVmall is a successful growing online platform, we considered the lowered commission rates and commission rebate incentive scheme have given courage to the merchants to build a viable business case and shifted their business focus from offline to online.

This has in fact sustained the expansion on product offering from over 500,000 product choices in 2020 to over 800,000 product choices in 2021. The number of merchants and suppliers partnering with HKTVmall also increased from more than 4,200 in 2020 to currently over 5,500. 3P Business is a key catalyst to provide more and more choices in product items and pricing options to consumer, and this flywheel effect is continued building momentum to grow HKTVmall’s online business further and further.

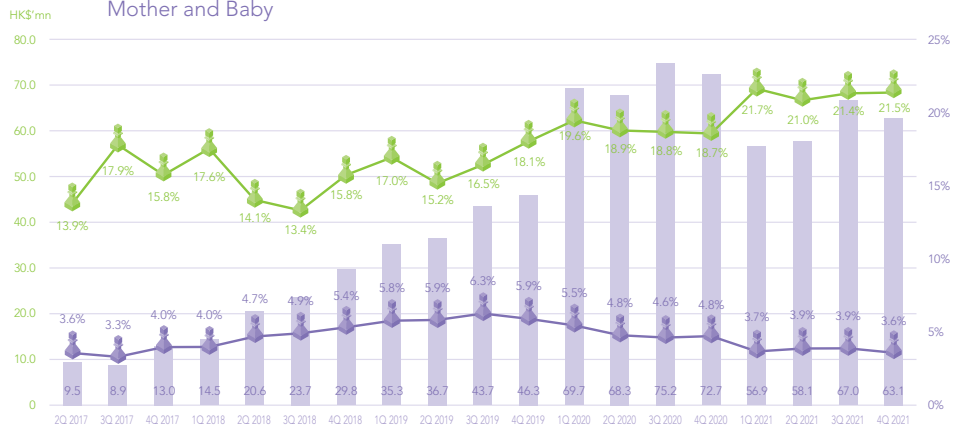
The trend on gross profit margin and blended commission rate of major product categories are summarized as below:



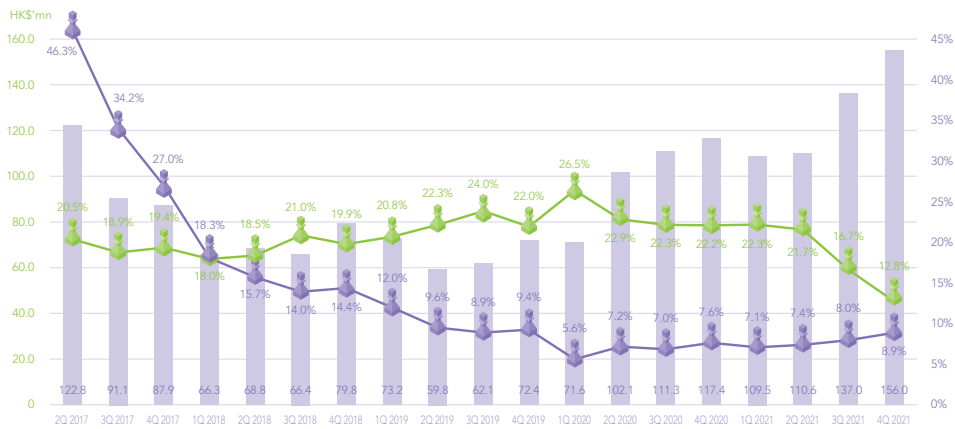
Houseware and Household



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

4x Growth in Multimedia Advertising Revenue

With increasing merchant and supplier partners realised the value of an integrated online shopping and multimedia advertising platform with approximately 1.5 million active app users, our multiple advertising formats are becoming a popular tool to effectively drive for their online business growth at HKTVmall.

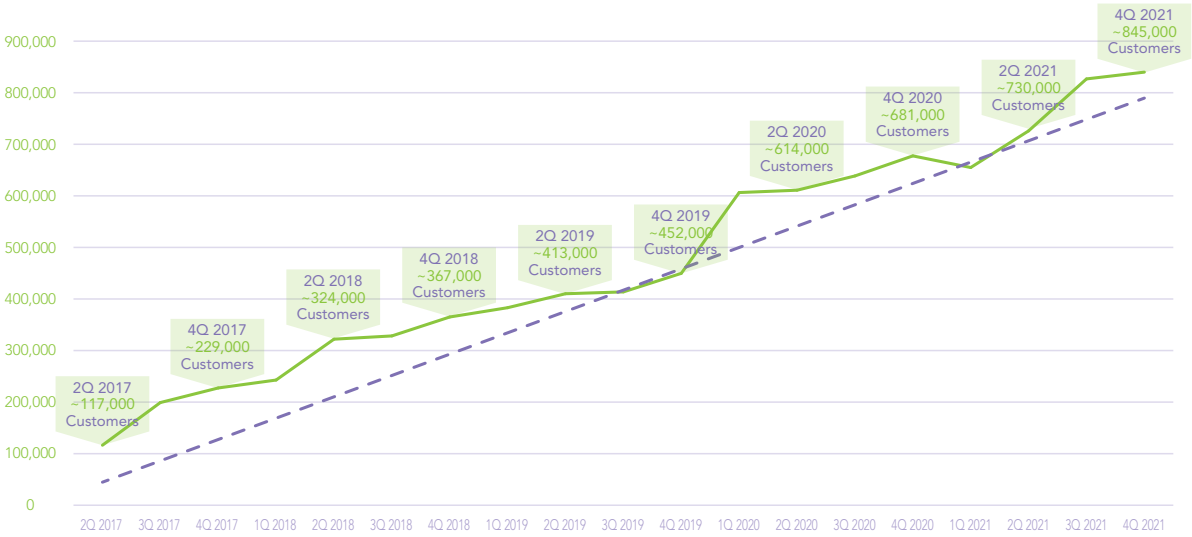
In advertising format, the launch of live shopping channels during the year has gained strong momentum becoming a successful interactive channel to boost their sales performance. Take two of our anchor merchants as examples — **Vita Green**, a well-known brand on health products, had over 42,000 views on its exclusive session generated approximately 21 times increment on GMV on order intake (compared with the daily average GMV on order intake in the past 30 days). Another famous sports brand — **PUMA**, had over 37,000 views on its exclusive session generated approximately 60 times growth on GMV on order intake (compared with the daily average GMV on order intake in the past 30 days). These examples have shown the power of multimedia advertising over traditional digital format.

In money terms, HKTVmall generated HK\$90.5 million revenue from multimedia advertising channels in 2021, a substantial increase by 285.1% from HK\$23.5 million in 2020, and also outperformed the target of HK\$70.0 million set at the outset of 2021.

Growing Online Customer Base and Solidified Online Behavior

In 2021, the number of unique customers made purchases at HKTVmall reached 1.29 million versus 1.11 million in 2020. In fact, our unique customer base has grown 14 times in just 6 years' time when comparing to the first year of operation in 2015 only having 94,000 unique customers. On quarterly basis, the growth in customer base is particularly obvious. As depicted by the below graph on quarterly number of unique customers made purchases at HKTVmall, the growth in 4Q2021 is particularly impressive since turn profitable.

Reaching New Heights in Number of Unique Customers



* Source: Internal platform and system
 * “No. of customers” represents number of unique customers who placed at least one order in that specific quarter, rounded to nearest thousands.

To certain extent, this result was facilitated by the \$350/\$500 eGift Voucher Program launched during July 2021 to October 2021. In order to stimulate the consumption momentum in the Hong Kong retail market, the government launched a Consumption Voucher Scheme in 2H2021 by disbursing a total of HK\$5,000 by phases to eligible persons in Hong Kong. As the largest online shopping mall in Hong Kong, HKTVmall tried to capture this momentum as much as possible so as to defend our traffic avoiding customers turned to other sales channels. Hence, HKTVmall launched this \$350/\$500 eGift Voucher Program in July 2021 at its O2O shops and a total of more than HK\$288.0 million face value in eGift Vouchers were sold. Though we received good response on this campaign which have helped to push certain growth on customer base under fierce competitive environment, our marketing and promotional expenses have also increased substantially.

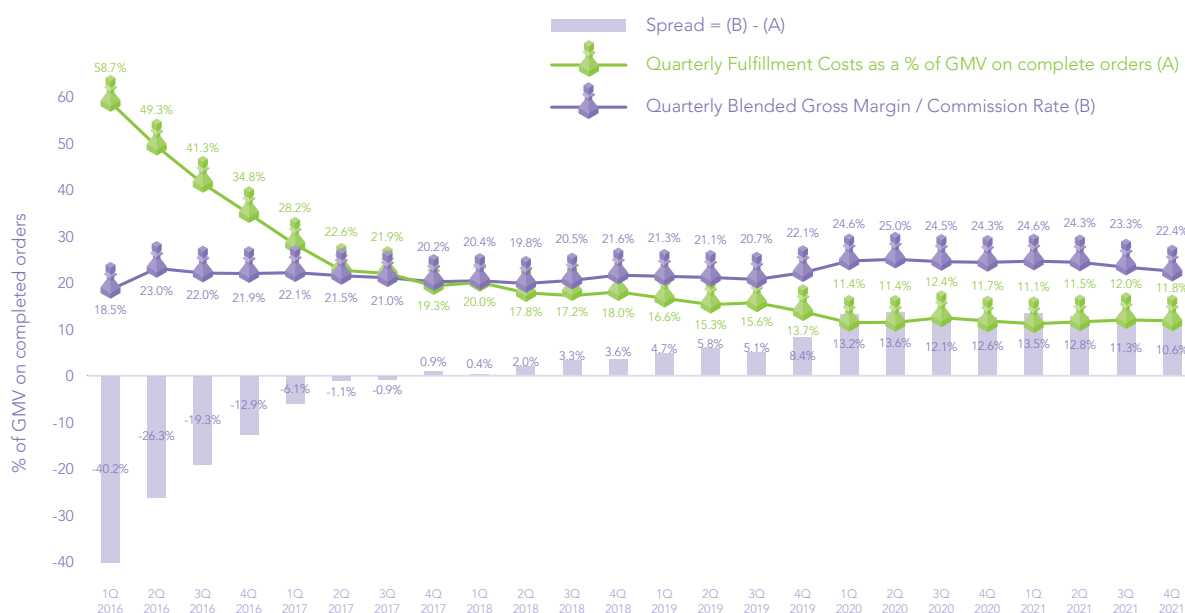
Other than customer base, under this slow growth environment, maintaining stable purchase behavior is important. In 4Q2021, the quarterly average purchase frequency per customer was at 4.61x versus 4.77x in 4th quarter of 2020 (“4Q2020”), and the quarterly average main categories purchased per customer was at 2.91 main categories versus 2.98 main categories in 4Q2020.

Planned and Disciplined Fulfilment Cost Efficiency

As planned at the beginning of 2021, in 2H2021, HKTVMall has added a new fulfilment center at Tsing Yi of approximately 144,000 square feet, with cold fulfilment facility which is currently under renovation and is expected to complete in 2nd quarter of 2022 (“2Q2022”), if there is no further delay caused by current COVID-19 condition. As this new center was not in full operation but we had to absorb the full rental and related operational overhead, the fulfilment cost % in 3Q2021 and 4Q2021 were higher than 1Q2021 and 2Q2021.

Nevertheless, this is the necessary investment and is our planned expansion to increase fulfilment capacity to cope with the upcoming business growth. With the addition of this new center, we have a total of approximately 570,000 square feet running HKTVMall’s fulfilment functions.

Planned and Disciplined Fulfilment Cost Efficiency



Remark:

1. Quarterly Fulfilment Costs as a % of GMV on complete orders included the interest on lease liabilities of HK\$7.4mn, HK\$5.9mn and HK\$4.8mn for year 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, in particular 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.

Always Something New in 2021

During 2021, many new initiatives were launched, some for generating new revenue stream, some for increasing the stickiness to HKTVmall App, some for meeting different customer segment needs, etc.. Other than the interactive multimedia advertising format — Live Shopping Channel, pre-owned goods marketplace — EcoMart and quick commerce on HKTVexpress which were launched in 1H2021 and have been summarised in 2021 interim report, a few major initiatives have also been launched in 2H2021.

- (1) HKTVmall Supermarket — The first HKTV Supermarket was launched in October 2021, with an area of over 4,400 square feet providing over 3,000 product choices to consumers. A 3-in-1 model including online customer order pick-up points, point-of-sales and HKTVexpress services, developed to extend the offline-to-online convergence synergy.
- (2) Innovative digital merchant finance programme launched in November 2021 — HSBC partnered with HKTVmall to develop a data-driven trade finance credit decision-making process. HSBC will leverage merchant partners' diversified commercial data, such as turnover, types of goods, return and refund records at HKTVmall to perform its trade finance credit assessment. This programme can allow financing more accessible for HKTVmall's merchant partners so that they can be more focus on developing their online business.
- (3) HKTV Ecommerce Academy launched in August 2021 — a new integrated education platform to provide diversified workshops to engage and convert retail participants from offline to online. It also serves as a strong bonding tool to consistently engage our merchant partners at HKTVmall. The workshops covers 6 major areas included digital advertising, marketing, business operation, financing, etc.. Since launch to the end of 2021, we have hold two series of programmes with a total of 10 seminars and webinars being conducted with approximately 345 participants enrolled. Positive feedback was received in particular on enhancing their understanding on Ecommerce.
- (4) “ShareHub” first had its internal trial launch in December 2021 and was extended to selected customers since January 2022 — aiming to build a “Virtual Community” to encourage users to become “Key Opinion Customers”, creating and sharing content from their daily life. Incentive will be given if the sharing is related to product offerings at HKTVmall. We expect this community can increase customer interaction within HKTVmall, so as to increase stickiness and traffic to HKTVmall App while the users can explore something new at hot topics and trends.

Technology Business — Shoalter

Since we first announced the set-up of Shoalter, the technology arm of HKTV Group in August 2020, there are two pillars being established: (1) research and development, and provision of service through self-developed end-to-end Ecommerce solution; (2) research and development, and operating self-invented retail technology — Fully Automated Retail Store. In about 18 months since the announcement, Shoalter has remarkable progress in 2021.

(1) Grand launch of EESE — Shoalter's first local client powered by its end-to-end Ecommerce solution

We signed the Ecommerce Solution Agreement in December 2020 to build a online shopping platform for EESE and in a year's time, in December 2021, EESE had its grand launch to the market. Since its launch, according to Google Analytics, the user traffic at EESE was increasing consistently and in week 16 since its launch on 1 December 2021, the 7-day active users reached approximately 250,000 users. Currently, EESE, carries over 100,000 SKUs with 4,500 brands from more than 1,000 merchants offering 12 product categories such as fashion, beauty, culture and leisure, home and furniture, sports and outdoors, etc. With various aggressive marketing and promotion activities launched, in just 3 months' time since launch, by end of February 2022, EESE has recruited over 50,000 members. This solid growing base shall form the foundation for continuing business growth at EESE.

(2) Patented invention of "Fully Automated Retail Store"

The invention was first announced in August 2021 and in less than a year's time, turning the concept into reality by completing the installation of the first "Fully Automated Retail Store" with pilot run in software and hardware in full swing, our first launch location is also determined to be in Manchester, United Kingdom. The local office, workshop and warehouse are under set-up and the local operation team is also under forming.

FINANCIAL REVIEW

During the year, the Group recorded a 11.2% growth on GMV on completed orders, reaching HK\$6,494.6 million (2020: HK\$5,838.1 million).

The Group's turnover increased by 8.8% to HK\$3,130.2 million in 2021 (2020: HK\$2,877.9 million) which is composed of:

1. HK\$2,047.2 million from direct merchandise sales (2020: HK\$1,970.3 million);
2. HK\$991.4 million from concessionaire sales and other service income (2020: HK\$883.8 million);
3. HK\$90.7 million from multimedia advertising income and licensing of programme rights (2020: HK\$23.8 million); and
4. HK\$0.9 million from technology business income (2020: nil) upon the launch of EESE, Shoalter's first solution client powered by its Ecommerce Solution in December 2021.

With the 3.9% growth in direct merchandise sales, the cost of inventories increased by 7.6% to HK\$1,575.1 million (2020: HK\$1,463.5 million) in order to maintain online groceries competitiveness at HKTVmall.

In 2021, other operating expenses increased by HK\$271.4 million to HK\$1,602.3 million (2020: HK\$1,330.9 million). Among the other operating 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 increased to 22.7% in 2021 (2020: 21.0%).

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

	2021		2020	
	As a % of GMV on completed orders	<i>HK\$ million</i>	As a % of GMV on completed orders	<i>HK\$ million</i>
Fulfilment costs (note 1)	11.7%	759.9	11.8%	687.5
Marketing, promotional and O2O shop marketing expenses	4.1%	265.8	2.5%	146.7
O2O shop operating expenses (note 2)	2.1%	134.5	1.5%	87.4
Ecommerce operation and supporting costs	4.8%	310.5	5.2%	303.0
Ecommerce business segment key operating expenses	22.7%	1,470.7	21.0%	1,224.6
Technology business segment key operating expenses (note 3)		41.6		–
Other unallocated operating expenses (note 4)		19.3		14.2
Total key operating expenses		1,531.6		1,238.8
Major non-cash items (note 5)		143.3		136.3
Less: Marketing, promotional and O2O shop marketing expenses deducted in turnover		(72.6)		(44.2)
Total other operating expenses		1,602.3		1,330.9

Notes:

1. Including depreciation — other properties leased for own use of HK\$54.8 million (2020: HK\$43.0 million), excluded interest on lease liabilities of HK\$7.4 million (2020: HK\$5.9 million).
2. Including depreciation — other properties leased for own use of HK\$61.0 million (2020: HK\$43.7 million), and excluded interest on lease liabilities of HK\$1.9 million (2020: HK\$2.2 million).
3. Including depreciation — other properties leased for own use of HK\$2.2 million (2020: nil).
4. Including depreciation — other properties leased for own use of HK\$1.5 million (2020: HK\$0.8 million).
5. Excluding depreciation — other properties leased for own use of HK\$119.5 million (2020: HK\$87.5 million).

- 1) **Fulfilment costs** incurred for warehousing and logistics functions included shop pick up cost allocation. Operational efficiency continued to kick in from the full year benefit gained from (1) the launch of cross-belt sorter system located in Tuen Mun fulfilment centre in February 2020; (2) the efficiency from increasing average daily orders from 32,300 in 2020 to 39,000 in 2021; (3) expansion of O2O shop network to widen the order pick up points. Nevertheless, an additional fulfilment centre in Tsing Yi was added since July 2021 to prepare for additional fulfilment capacity for future business growth. Hence, the operating costs for unutilised capacity was absorbed as overhead. The fulfilment cost % in 2021 was at 11.7%, just slightly below 11.8% in 2020.
- 2) **Marketing, promotional and O2O shop marketing expenses** in 2021 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\$72.6 million (2020: HK\$44.2 million) HKTVmall dollars granted and promotional coupons used which was deducted in the turnover, the total expenses accounted for 4.1% of GMV on completed orders (2020: 2.5%) at HK\$265.8 million (2020: HK\$146.7 million). The increase in cost percentage mainly caused by the launch of “\$350/\$500 eGift Voucher Program” (the “Program”) in July 2021 in order to maintain HKTVmall’s competitiveness under the disbursement of the Government’s Consumption Voucher Scheme, of which HK\$86.6 million promotional coupon expenses was recorded in 2H2021. Other marketing program included, aggressive wake up program on sleeping customers, stimulation program to drive for repeated purchase, promotion to engage users to new enrichments such as Senior Club for HKTVmall Lite app and HKTVexpress, private and public housing penetration, and incremental O2O shop marketing expenses due to the expansion of O2O shop network to 93 shops at year end.

- 3) **O2O shop operating expenses** includes the shop running expenses and relevant talent costs incurred, which was increased from 1.5% of GMV on completed orders in 2020 to 2.1% in 2021, primarily due to the expansion of O2O shop network from 68 in December 2020 to 93 in December 2021 including 1 HKTV Supermarket.
- 4) **Ecommerce operation and supporting costs** includes payment processing charges, merchant relations and acquisition, customer service, information technology, and other supporting functions. The Ecommerce operation and supporting costs decreased from 5.2% of GMV on completed orders in 2020 to 4.8% in 2021 mainly due to (1) cost efficiency gained with enlarged GMV on completed orders; (2) costs allocation to Technology business and head office and corporate functions for shared supporting functions.
- 5) **Technology business segment key operating expenses** represented the research and development costs incurred for Technology business which is not qualified for capitalisation as intangible assets or other contract costs, and allocated costs from shared supporting functions.
- 6) **Other unallocated operating expenses** mainly represented the expenses of head office and corporate expenses not allocated to Ecommerce business or Technology business.
- 7) **Major non-cash items** mainly include depreciation on property, plant and equipment, amortisation of intangible assets, amortisation of other contract costs and equity-settled share-based payment. There was a HK\$11.2 million increase in depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use) mainly due to the renovation, furniture and equipment costs for the newly launched O2O shops in 2021 and the additions for network computer, office and warehouse equipment in 2020 and 2021. Moreover, there was equity-settled share-based expenses (after capitalisation) of HK\$7.0 million recorded in 2021 while there was HK\$15.1 million in 2020.

During the year ended 31 December 2021, a valuation gain of the Group on investment properties of HK\$16.1 million (2020: loss of HK\$6.1 million) was recognised based on the valuation carried out by an independent firm of surveyors at year end.

Other income, net, of HK\$47.1 million was earned in 2021 (2020: HK\$116.9 million), which mainly composed of investment returns generated from other financial assets and bank deposits of HK\$19.9 million (2020: HK\$27.0 million), rental income from investment properties of HK\$23.8 million (2020: HK\$23.8 million), net exchange gain of HK\$3.2 million (2020: loss of HK\$1.6 million) mainly due to the appreciation of USD against HKD during the year, partially net off by HK\$7.4 million unrealised fair value loss (2020: HK\$7.0 million) on financial assets measured at FVPL, after adding the expected credit losses reversal recognised amounting to HK\$0.6 million (2020: provision of HK\$4.5 million). There was also a HK\$70.9 million government subsidies recognised in 2020 whereas no such subsidies was recorded in 2021.

The decrease in bank interest income and returns from investment in other financial assets of HK\$7.1 million was mainly due to the realisation of a portion of the investment portfolio to reduce the market and financial risk exposure on investment.

Finance costs is mainly composed of interest on lease liabilities of HK\$9.4 million (2020: HK\$8.1 million). There was an interest on bank loans of HK\$1.9 million in 2020 whereas none was recorded in 2021.

Overall, the Group generated a profit for the year of HK\$14.3 million for 2021 relative to HK\$183.6 million for 2020 and an adjusted EBITDA profit of HK\$112.7 million versus HK\$236.2 million in 2020.

If excluding the Technology business segment and unallocated head office and corporate adjusted EBITDA, the adjusted EBITDA profit for Ecommerce business is HK\$150.0 million in 2021 versus HK\$255.8 million in 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2021, the Group had total cash position representing cash at bank and in hand of HK\$624.2 million (31 December 2020: HK\$942.5 million) and no outstanding borrowings. The decrease in total cash position was mainly due to the net investment in financial assets of the investment portfolio of HK\$115.7 million, the capital and interest element of lease rentals of HK\$123.7 million, payment made for purchases of property, plant and equipment of HK\$150.9 million, payment made for acquisition of a subsidiary of HK\$118.0 million, interim dividend paid of HK\$73.3 million, HK\$23.7 million increase in payment for the addition to intangible assets, partially net off by the cash inflow generated from operating activities of HK\$247.0 million, interest and investment income received of HK\$19.0 million, net proceeds of HK\$19.7 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\$1.3 million.

On investment in other financial assets, the Group has invested, at fair value, HK\$444.0 million as at 31 December 2021 (as at 31 December 2020: HK\$342.3 million). As at 31 December 2021, there was a net deficit of HK\$6.3 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2020: a revaluation surplus of HK\$1.8 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\$15.5 million (as at 31 December 2020: HK\$13.5 million), in which deficit of HK\$7.4 million (as at 31 December 2020: HK\$7.0 million), deficit of HK\$5.9 million (as at 31 December 2020: HK\$2.0 million) and deficit of HK\$2.2 million (as at 31 December 2020: HK\$4.5 million) were recorded in profit or loss, fair value reserve (recycling) and fair value reserve (non-recycling) respectively.

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its surplus cash assets. The criteria for selection of investments include the relative risk profile involved, the liquidity of an investment, the after tax equivalent yield of an investment and, investments that are not speculative in nature. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities, such as investment grade products, constituent stocks of defined world indices or state owned or controlled companies. Investment in fixed income products are structured in different maturity profile to cope with ongoing business development and expansion need. Moreover, as and when additional cash is expected to be required to fund the business, the investments can be realised as appropriate.

As at 31 December 2021 and 31 December 2020, the Group had not utilised any uncommitted banking facilities, leaving HK\$940.7 million (31 December 2020: HK\$935.1 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at bank and in hand and term deposits within three months of maturity, if any. As at 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020 and hence no gearing ratio was presented. The Directors are of the opinion that, after taking into consideration the internal available financial resources and the current banking facilities, the Group has sufficient funds to finance its operations and to meet the financial obligations as and when they fall due.

During 2021, the Group invested HK\$228.2 million on capital expenditure as compared to HK\$88.4 million in 2020. 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:

Intended use of net proceeds	Amount intended to be utilised <i>HK\$ million</i>	Amount utilised as at 31 December 2020 <i>HK\$ million</i>	Amount utilised as at 31 December 2021 <i>HK\$ million</i>	Expected timeline of utilisation
Expansion of the Ecommerce and related business of the Group:				
(i) Expansion of e-fulfilment centre at Tseung Kwan O Headquarters	200	1.1	3.7	By the end of 2023
(ii) Adding the 6th fulfilment centre	40	–	6.1	By the end of 2022
(iii) Adding around 200 to 250 delivery trucks	around 90 to 110	19.5	26.1	By the end of 2023
(iv) Upgrading computer hardware and software	50	9.4	50.0	By the end of 2021
General working capital of the Group	around 53.2 to 73.2	–	73.2	By the end of 2021
Total	453.2	30.0	159.1	

Charge on Group Assets

As of 31 December 2021, the Group's banking facilities of HK\$940.7 million were secured by the Group's other financial assets of HK\$444.0 million and cash of HK\$298.6 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 2021 and 31 December 2020, the Group had no material contingent liabilities or off-balance-sheet obligations.

PROSPECTS

Ecommerce Business — HKTVmall

Operational impact from the fifth wave of COVID-19 outbreak

The fifth wave of COVID-19 outbreak have seriously affected the live of most of the Hong Kong people. In view of the further tightening measures implemented on social distancing since the beginning of 2022, the consumers have been pushed again to change their behavior including bulk purchases and shifting to online shopping.

Being the largest online shopping mall in Hong Kong, HKTVmall is trying our best effort in fulfilling customer orders under this difficult period. Nevertheless, our team in particular of front line staff, and our merchant and supplier partners are not able to completely avoid from the pandemic. Increasing retail or consumer product operators are either shorten their operating hours or suspend their store operation. Under this condition, HKTVmall is also facing unprecedented operating challenges on order fulfilment, in particular during February to March 2022.

Our frontline manpower was inevitably impacted, for example, at the peak time, we had more than one-third delivery manpower under quarantine due to them or their close contact having been tested positive for COVID-19. Some of our business partners including merchants, suppliers and third-party logistics operators also face serious shortage in manpower or products causing difficulty in fulfilling customer orders. Hence, the fulfilment lead time for customer order was prolonged seriously and

increasing product or customer order cancellation was observed. For February 2022 GMV on order intake, up to 28 March 2022, the overall cancellation rate reached approximately 3.4%.

In order to restore our fulfilment capacity, HKTVmall has immediately implemented a few measures to increase our frontline manpower including:

- (1) To make up the manpower shortage, actively recruiting the unemployed workforce or those under temporary no-pay arrangement to become our drivers, couriers, warehouse assistants or O2O shop assistants by offering competitive daily rate.
- (2) To ease the frontline pressure, inviting our back office talents to stand in the administrative and supervising roles for our fulfilment and O2O shop functions.
- (3) To increase fulfilment capacity, engaging third-party business partners from catering and restaurant sectors to be additional customer order pick-up points on short-term basis, with guaranteed income. As at 22 March 2022, we already signed up 57 partners to increase approximately 28.0% order pick-up points. Other than this, we also increased our own O2O shops order pick up capacity when increasing manpower resumed to work.

With the effort made, 70% of the delivery zones have shortened the delivery lead time to 2–5 days. With increasing full time manpower to resume duty from quarantine over time, we wish our fulfilment capacity can gradually restore over time. In fact, in March 2022, we expect a record high GMV on completed orders with daily fulfilled GMV increased by approximately 15.5% relative to February 2022. This demonstrated the robust resilience of the management team in coping with crisis.

This incident has reinforced our belief on the importance of extending automation to our business partners. In this regard, subject to the ongoing development of COVID-19 pandemic, when our last mile delivery capacity restores gradually, we will start to work on the “Last Mile Service Pledge” and “3rd Party Logistics Service” (“3PL service”) plans as announced at the beginning of 2022.

Last Mile Service Pledge and New Business Line on 3PL Service

As mentioned in our announcement dated 10 January 2022, in order to accelerate the online shopping business growth, we plan to enhance our fulfilment capacity by two phases so as to satisfy customer needs in short timeframe. However, given the operational impact from the fifth wave pandemic as mentioned above, we have postponed the plan, and after reassessment, our plan is updated as below:

Phase 1 — by end of 1H2022: “2 days delivery” target

- (1) Aiming to enhance the capacity to enable 90.0% to 95.0% delivery orders to meet the “2 days delivery” target by investing additional 40 delivery trucks and monthly an additional HK\$5.0 million operating expenses.
- (2) To further push the order cut-off time from 9am to 1pm, i.e., for orders confirmed by 1pm today, they will be delivered tomorrow.

Phase 2 — by end of 1H2023: “3PL business for next day delivery”

- (1) Launch of 3PL service by adding floor area of 150,000 to 250,000 square feet to enable the top 85% merchant products (estimated to be approximately 150,000 SKU) to be stored and picked in HKTVmall automated fulfilment center upon customer order placement.
- (2) 3PL service will further enhance the service level to end customers by centralized inventory and one-stop-shop fulfilment process, i.e., for orders confirmed by mid night, they will be delivered in the next morning.
- (3) 3PL service’s target customers is not only HKTVmall’s merchant and supplier partners for their store at HKTVmall, it is also opened to serve their online stores set up at other platforms, or anyone who is interested to go into the online business. All these services shall be subject to storage fee, picking and packing charge on cost plus basis.
- (4) This is going to be a new business line at HKTV Group with the objective to leverage on our automated fulfilment experience to accelerate the online development in Hong Kong.

Ecommerce Business 2022 Target

2022 is expected to be a turbulence year with uncertainties from geopolitical and economic environment and COVID-19 pandemic development. We consider the business shall continue to grow as the prolonged COVID-19 period has pushed people around the world to adopt their day-to-day life, including shopping, to go online. In fact, we have a strong 1Q2022, with average daily GMV on order intake in January, February and the first 28 days of March 2022 reached HK\$22.5 million, HK\$30.5 million and HK\$23.3 million respectively. Nevertheless, the path to achieve the growth can be dynamic and this will affect the margin and costs structure. Therefore, our 2022 key business targets are built with some flexibility as follow:

- (1) Annual GMV on Order Intake for HKTVmall at HK\$8.0 billion to HK\$8.5 billion (2021 actual: HK\$6.57 billion), representing a year-on-year growth of 21.7% to 29.3%;
- (2) Total gross profit margin and blended commission rate at 23.4% (2021 actual: 23.7%);
- (3) Multimedia advertising income of HK\$120.0 million (2021 actual: HK\$90.5 million). With an early bird offer launched in September 2021, advertising fee commitments of approximately HK\$90.0 million has been received by end of December 2021.
- (4) Key operating costs as a % of GMV on completed orders are as below:
 - a. Fulfilment costs at 12.0% to 13.5% (2021 actual: 11.7%);
 - b. Marketing, promotional and O2O shop marketing expenses at 3.0% to 3.8% (2021 actual: 4.1%);
 - c. O2O shop operating expenses at 2.0%–2.2% (2021 actual: 2.1%); and
 - d. Ecommerce operational and supporting costs at 4.2% to 4.4% (2021 actual: 4.8%).
- (5) Adjusted EBITDA as a % of GMV on completed orders at 2.0% to 2.5% (2021 actual: 2.3%)

As mentioned above, 2022 is a complicated year with a wide range of possibilities. With the objective to boost growth on GMV on order intake, the investment in fulfilment costs, and marketing and promotional expenses can be highly dynamic and may be in different magnitude and direction. In this regard, we expect the adjusted EBITDA is possible to be in a wide range of profitability.

5-year CAPEX Plan to Sustain Ecommerce Mid-Term Target

We have a mid-term target on the Ecommerce business, in 3–5 years' time, the Group can generate HK\$12.0 billion to HK\$15.0 billion GMV on order intake in Hong Kong from platforms powered by Shoalter Ecommerce solution. In order to achieve this mid-term target, we need to plan ahead. One of the critical success factors is the automated fulfilment capability and capacity.

In this regard, we have a 5-year CAPEX plan to expand our automated fulfilment capacity from existing 570,000 square feet to over 900,000 square feet by phases in 5 years' time, by expanding our self-owned infrastructure at Tseung Kwan O (“TKO”) headquarters and adding additional facilities under long term leases. Total estimated CAPEX on construction costs and consent fee for converting entire site at TKO headquarters to permit for Ecommerce and Technology use is approximately HK\$860.0 million. This CAPEX plan is particularly important to attain our mid-term business target.

Technology Business

In 2022, regarding the new business line on Fully Automated Retail Store, we target to have the first deployment on pilot run basis during the 3rd quarter of 2022 (“3Q2022”) to the 4th quarter of 2022 (“4Q2022”) in Manchester, subject to the development on COVID-19 pandemic.

On the other hand, given we are now having two online shopping malls, namely HKTVmall and EESE, enabled by Shoalter Ecommerce solution, we are undergoing a revamp plan on the merchant portal to facilitate their Ecommerce operation across different platforms, include the followings:

- (1) Connected functions: shared same inventory portfolio with open API connection for product updates;
- (2) Merchant chat: a communicator to facilitate pre-sales and post-sales communications with customers;
- (3) Merchant service mobile App: anytime, anywhere to keep update and to response instantly; and
- (4) Automated 3PL system: facilitate merchants to improve fulfilment speed and to streamline operation processes across multiple online platforms.

All these new functions are aimed to enhance merchant management efficiency so that they can put their focus on driving their online business performance on platforms powered by our Ecommerce solution.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, due to the recent Russia-Ukraine conflict and the international sanction measures imposed on Russia's financial system, the coupon payment and principal repayment of its foreign currency bonds is subject to high uncertainty. As at 31 December 2021, the Group holds bonds with carrying amount of HK\$32,078,000 issued by one of the major financial institutions in Russia, and the full recoverability of it is uncertain. Up to the date of issue of this announcement, there is no sufficient reliable information available for the Group to assess the financial impact on its consolidated financial statements.

RESULTS

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2021.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

		Year ended 31 December 2021	Year ended 31 December 2020
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	<u>3,130,164</u>	<u>2,877,884</u>
Direct merchandise sales	3	2,047,194	1,970,326
Cost of inventories		<u>(1,575,052)</u>	<u>(1,463,465)</u>
		472,142	506,861
Income from concessionaire sales and other service income	3	991,410	883,754
Multimedia advertising income and licensing of programme rights	3	90,667	23,804
Technology business income	3	893	–
Valuation gains/(losses) on investment properties		16,100	(6,050)
Other operating expenses	5(a)	(1,602,323)	(1,330,916)
Other income, net	4	47,126	116,880
Finance costs	5(b)	<u>(9,915)</u>	<u>(10,192)</u>
Profit before taxation		6,100	184,141
Income tax credit/(expense)	7	<u>8,165</u>	<u>(560)</u>
Profit for the year		<u>14,265</u>	<u>183,581</u>
Attributable to:			
Equity shareholders of the Company		14,780	183,581
Non-controlling interests		<u>(515)</u>	<u>–</u>
Profit for the year		<u>14,265</u>	<u>183,581</u>
Earnings per share	9		
Basic and diluted		<u>HK\$0.02</u>	<u>HK\$0.20</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

		Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Profit for the year		14,265	183,581
Other comprehensive income for the year	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)		(2,177)	(4,541)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of oversea subsidiaries		159	(84)
Debt securities measured at fair value through other comprehensive income — net movement in fair value reserve (recycling)		(5,891)	(1,953)
		(5,732)	(2,037)
Other comprehensive income for the year		(7,909)	(6,578)
Total comprehensive income for the year		6,356	177,003
Attributable to:			
Equity shareholders of the Company		6,871	177,003
Non-controlling interests		(515)	—
Total comprehensive income for the year		6,356	177,003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in Hong Kong dollars)

		31 December 2021	31 December 2020
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,751,803	1,398,110
Intangible assets		71,343	59,686
Goodwill		–	897
Long-term receivables, deposits and prepayments		65,403	28,984
Other financial assets	<i>10</i>	268,733	324,119
Deferred tax assets		9,952	–
		2,167,234	1,811,796
Current assets			
Other receivables, deposits and prepayments		155,379	109,360
Inventories and other contract cost assets		134,128	126,573
Other current financial assets	<i>10</i>	175,305	18,197
Cash and cash equivalents		624,247	942,479
		1,089,059	1,196,609
Current liabilities			
Accounts payable	<i>11</i>	254,004	319,888
Other payables and accrued charges	<i>11</i>	409,462	284,879
Deposits received		5,757	5,757
Tax payable		2,381	758
Lease liabilities		125,405	94,413
		797,009	705,695
Net current assets		292,050	490,914

	31 December	31 December
	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities	2,459,284	2,302,710
Non-current liabilities		
Deferred tax liabilities	1,391	1,227
Lease liabilities	396,625	203,795
	398,016	205,022
NET ASSETS	2,061,268	2,097,688
CAPITAL AND RESERVES	<i>12</i>	
Share capital	1,774,173	1,747,693
Reserves	287,610	349,995
Total equity attributable to equity shareholders of the Company	2,061,783	2,097,688
Non-controlling interests	(515)	–
TOTAL EQUITY	2,061,268	2,097,688

Notes:

1 BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2021 and 31 December 2020 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 2020 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 2021 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:

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by nature		
— Direct merchandise sales	2,047,194	1,970,326
— Income from concessionaire sales and other service income	991,410	883,754
— Multimedia advertising income and licensing of programme rights	90,667	23,804
— Technology business income	893	—
	<u>3,130,164</u>	<u>2,877,884</u>
Disaggregated by timing of revenue recognition		
— Point in time	2,983,386	2,830,839
— Over time	146,778	47,045
	<u>3,130,164</u>	<u>2,877,884</u>

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

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$74,107,000. The Group will recognise the expected revenue in future when or as the performance obligations are satisfied, which is expected to occur over the next 1–7 years.

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.

In 2020, the Group has only identified one business segment i.e. Ecommerce business. Accordingly, the comparative figures of segment information have been reclassified to conform to the current year's presentation.

(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 the government subsidies.

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 2021 and 2020 is set out below.

For year ended 31 December	Ecommerce business		Technology business		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Disaggregated by timing of revenue recognition						
Point in time	2,983,386	2,830,839	–	–	2,983,386	2,830,839
Over time	145,885	47,045	893	–	146,778	47,045
Revenue from external customers	3,129,271	2,877,884	893	–	3,130,164	2,877,884
Inter-segment revenue	–	–	95,549	–	95,549	–
Reportable segment revenue	3,129,271	2,877,884	96,442	–	3,225,713	2,877,884
Reportable segment profit/(loss) (EBITDA/(EBITDA loss))	107,581	256,930	(6,509)	–	101,072	256,930
Reportable segment profit/(loss) (adjusted EBITDA/(adjusted EBITDA loss))	112,586	255,779	(3,763)	–	108,823	255,779

For year ended 31 December	Ecommerce business		Technology business		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	1	4	7	–	8	4
Inter-segment finance costs	(3,702)	(4,375)	–	–	(3,702)	(4,375)
Depreciation and amortisation for the year (excluded depreciation on other properties leased for own use)	(107,379)	(103,883)	(4,892)	–	(112,271)	(103,883)
Reportable segment assets	1,885,236	1,717,754	149,426	–	2,034,662	1,717,754
<i>Additions to non-current segment assets during the year</i>	421,627	100,929	51,206	–	472,833	100,929
Reportable segment liabilities	1,264,850	903,223	45,688	–	1,310,538	903,223

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

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Revenue		
Reportable segment revenue	3,225,713	2,877,884
Elimination of inter-segment revenue	(95,549)	–
Revenue (<i>note 3(a)</i>)	<u>3,130,164</u>	<u>2,877,884</u>
	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Profit		
Reportable segment profit (EBITDA)	101,072	256,930
Income tax credit	9,295	–
Interest income	8	4
Depreciation — on property, plant and equipment (excluded depreciation on other properties leased for own use)	(111,202)	(103,883)
Amortisation of intangible assets	(932)	–
Amortisation of other contract costs	(137)	–
Unallocated head office and corporate net income	<u>16,161</u>	<u>30,530</u>
Profit for the year	<u>14,265</u>	<u>183,581</u>

(iii) *Reconciliation of reportable segment assets*

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Reportable segment assets	2,034,662	1,717,754
Elimination of inter-segment receivables	(151,236)	(78,900)
Unallocated head office and corporate assets (included inter-segment loan)	1,372,867	1,369,551
Consolidated total assets	<u>3,256,293</u>	<u>3,008,405</u>

(iv) *Reconciliation of reportable segment liabilities*

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Reportable segment liabilities (included inter-segment loan)	1,310,538	903,223
Elimination of inter-segment payables	(151,236)	(78,900)
Unallocated head office and corporate liabilities	35,723	86,394
Consolidated total liabilities	<u>1,195,025</u>	<u>910,717</u>

(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

	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Bank interest income	152	3,249
Dividend and investment income from other financial assets	5,251	4,705
Interest income from other financial assets	14,509	18,249
(Loss)/gain on disposal of other financial assets	(14)	784
Unrealised fair value loss on units in investment funds measured at fair value through profit or loss (“FVPL”)	(7,945)	(2,443)
Reversal/(provision) of expected credit losses on debt securities measured at fair value through other comprehensive income (“FVOCI”)	592	(4,527)
Rentals from investment properties	23,774	23,774
Net exchange gain/(loss)	3,188	(1,601)
Government subsidies (<i>note (i)</i>)	–	70,859
Others	7,619	3,831
	<u>47,126</u>	<u>116,880</u>

Note:

- (i) In 2020, the Group successfully applied for funding support which were mainly from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (“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 not to make redundancies during the subsidy period and to spend all the funding on paying wages to the Talents.

5 PROFIT BEFORE TAXATION

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

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
(a) Other operating expenses		
Depreciation		
— owned property, plant and equipment	92,561	84,376
— right-of-use assets	143,314	108,315
Advertising and marketing expenses (excluding HK\$72,596,000 (2020: HK\$44,189,000) being deducted in turnover)	169,669	76,099
Auditor's remuneration	2,826	2,496
(Gain)/loss on disposal of property, plant and equipment	(463)	27
Write-down and write-off of inventories	27,328	23,383
Talent costs (<i>note 5(c)</i>)	709,374	634,766
Amortisation of intangible assets	14,072	13,140
Amortisation of other contract costs	137	—
Total outgoings of investment properties	1,603	1,427
Outsourced fulfilment expenses	205,473	190,366
Payment processing charges	76,942	77,055
Owned motor vehicles running expenses	34,305	28,178
Software licenses and registration fee	18,894	16,588
Utilities, consumables and office expenses	46,583	34,085
Write-off of goodwill	897	—
Others	58,808	40,615
	<u>1,602,323</u>	<u>1,330,916</u>
(b) Finance costs		
Interest on bank loans	—	1,855
Interest on lease liabilities	9,355	8,071
Bank charges	560	266
	<u>9,915</u>	<u>10,192</u>
(c) Talent costs		
Wages and salaries	700,496	596,603
Retirement benefit costs — defined contribution plans	25,674	23,076
Equity-settled share-based payment expenses	9,025	15,087
Less: Talent costs capitalised as intangible assets and other contract costs	(25,821)	—
Talent costs included in other operating expenses	<u>709,374</u>	<u>634,766</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

	2021			2020		
	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)	(2,177)	—	(2,177)	(4,541)	—	(4,541)
Exchange difference on translation of financial statements of overseas subsidiaries	159	—	159	(84)	—	(84)
Debt securities measured at FVOCI — net movement in fair value reserve (recycling)	(5,891)	—	(5,891)	(1,953)	—	(1,953)
Other comprehensive income	<u>(7,909)</u>	<u>—</u>	<u>(7,909)</u>	<u>(6,578)</u>	<u>—</u>	<u>(6,578)</u>

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

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling):		
— Changes in fair value recognised during the year	<u>(2,177)</u>	<u>(4,541)</u>
Debt securities measured at FVOCI — net movement in fair value reserve (recycling):		
— Changes in fair value recognised during the year	(5,313)	(5,696)
— Reclassified to profit or loss upon disposal	14	(784)
— Reclassified to profit or loss for (reversal)/provision of expected credit losses	<u>(592)</u>	<u>4,527</u>
	<u>(5,891)</u>	<u>(1,953)</u>

7 INCOME TAX (CREDIT)/EXPENSE

The provision for Hong Kong Profits Tax for the year ended 31 December 2021 is calculated at 16.5% (2020: 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 which the first HK\$2,000,000 of assessable profits are taxed at 8.25% (2020: 8.25%), and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

Taxation for overseas branch of a subsidiary is calculated at 20% (2020: nil) of the estimated assessable profits for the year.

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

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Current taxation		
Hong Kong Profits Tax	993	521
Overseas	630	–
Deferred taxation		
Origination and reversal of temporary differences	<u>(9,788)</u>	<u>39</u>
	<u>(8,165)</u>	<u>560</u>

8 DIVIDENDS

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

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Interim dividend declared and paid of HK8 cents per share (2020: nil)	<u>73,335</u>	<u>–</u>

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2021 (31 December 2020: nil).

In respect of the interim dividend for the six months ended 30 June 2021, there was a difference of HK\$29,000 between interim dividend disclosed in the 2021 interim financial report and amounts declared and paid during the year which represented dividends attributable to new shares issued upon the exercise of 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 2021 of HK\$14,780,000 (31 December 2020: HK\$183,581,000) and the weighted average of 916,160,000 ordinary shares (31 December 2020: 897,733,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December 2021 '000	Year ended 31 December 2020 '000
Issued ordinary shares at 1 January	911,274	820,734
Effect of share options exercised	4,886	278
Effect of new shares issued	–	76,721
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>916,160</u>	<u>897,733</u>

The calculation of diluted earnings per share for the year ended 31 December 2021 is based on the profit attributable to equity shareholders of the Company for the year of HK\$14,780,000 (31 December 2020: HK\$183,581,000) and the weighted average number of ordinary shares of 954,590,000 (31 December 2020: 932,327,000), after adjusting for the effect of dilutive potential ordinary shares under share option scheme during the year.

Weighted average number of ordinary shares (diluted)

	Year ended 31 December 2021 '000	Year ended 31 December 2020 '000
Weighted average number of ordinary shares at 31 December	916,160	897,733
Effect of deemed issue of shares under the Company's share option scheme	38,430	34,594
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	<u>954,590</u>	<u>932,327</u>

10 OTHER FINANCIAL ASSETS

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Equity instruments designated at FVOCI (non-recycling)		
— Equity securities	21,132	20,655
— Perpetual bonds	<u>75,957</u>	<u>51,845</u>
	97,089	72,500
Debt securities measured at FVOCI (recycling)		
— Maturity dates within 1 year	175,305	18,197
— Maturity dates over 1 year	<u>109,480</u>	<u>182,049</u>
	284,785	200,246
Units in investment funds measured at FVPL	<u>62,164</u>	<u>69,570</u>
	<u>444,038</u>	<u>342,316</u>
Representing		
— Non-current portion	268,733	324,119
— Current portion	<u>175,305</u>	<u>18,197</u>
	<u>444,038</u>	<u>342,316</u>

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

11 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Accounts payable (<i>note (a)</i>)	<u>254,004</u>	<u>319,888</u>
Contract liabilities	237,501	105,973
Other payables and accrued charges (<i>note (b)</i>)	<u>171,961</u>	<u>178,906</u>
	409,462	284,879
	<u>663,466</u>	<u>604,767</u>

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

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Current–30 days	245,823	315,530
31–60 days	1,810	1,240
61–90 days	689	760
Over 90 days	5,682	2,358
	254,004	319,888

(b) Other payables and accrued charges

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

12 CAPITAL AND RESERVES

Note	Attributable to equity shareholders of the Company										
	Share capital HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Revaluation reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	1,293,392	(60,021)	183,338	5,499	2,710	(73)	28,589	(1,826)	1,451,608	-	1,451,608
Changes in equity for 2020:											
Profit for the year	-	183,581	-	-	-	-	-	-	183,581	-	183,581
Other comprehensive income	6	-	-	(1,953)	(4,541)	(84)	-	-	(6,578)	-	(6,578)
Total comprehensive income	-	183,581	-	(1,953)	(4,541)	(84)	-	-	177,003	-	177,003
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits	-	(51)	-	-	51	-	-	-	-	-	-
Shares issued under share option scheme	1,094	-	-	-	-	-	(311)	-	783	-	783
Issuance of new shares	453,207	-	-	-	-	-	-	-	453,207	-	453,207
Equity settled share-based transactions	5(c)	-	-	-	-	-	15,087	-	15,087	-	15,087
Share options cancelled reclassified to retained profits	-	35	-	-	-	-	(35)	-	-	-	-
Balance at 31 December 2020 and 1 January 2021	1,747,693	123,544	183,338	3,546	(1,780)	(157)	43,330	(1,826)	2,097,688	-	2,097,688
Changes in equity for 2021:											
Profit for the year	-	14,780	-	-	-	-	-	-	14,780	(515)	14,265
Other comprehensive income	6	-	-	(5,891)	(2,177)	159	-	-	(7,909)	-	(7,909)
Total comprehensive income	-	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)
Balance at 31 December 2021	1,774,173	64,967	183,338	(2,345)	(3,935)	2	47,409	(1,826)	2,061,783	(515)	2,061,268

TALENT REMUNERATION

Including the Directors, as at 31 December 2021, the Company had 2,083 permanent full-time Talents versus 1,818 as of 31 December 2020. The Company provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Company's and individual performances. The Company also provides comprehensive medical 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 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2021, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry with the Directors, all of them have confirmed that they have fully complied with the required standard set out in the Model Code and the Company Code throughout the year ended 31 December 2021.

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 2021.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Lee Hon Ying, John (the Chairman of the Audit Committee), Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin.

FINAL DIVIDEND

An interim dividend of HK8 cents (six months ended 30 June 2020: nil) per ordinary share of the Company in cash was paid on 6 October 2021.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021. No final dividend was declared for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 8 June 2022. 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 Thursday, 2 June 2022 to Wednesday, 8 June 2022, 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 Wednesday, 1 June 2022.

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

Hong Kong, 30 March 2022

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

Executive Directors:

Cheung Chi Kin, Paul (*Chairman*)

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

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

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

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

Independent Non-executive Directors:

Lee Hon Ying, John

Peh Jefferson Tun Lu

Mak Wing Sum, Alvin