

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023**

GROUP FINANCIAL HIGHLIGHT

- Under the combined impact of a challenging economic recovery, and ongoing investments in New Ventures for long-term sustainable growth, the Group's business performance in 2023 showed a limited growth, while managing to maintain profitability.
 - Group GMV on order intake¹ reached HK\$8,424.0 million in 2023 (2022: HK\$8,276.2 million);
 - Net profit amounted to HK\$45.3 million in 2023 (2022: HK\$212.2 million);
 - Adjusted EBITDA² at HK\$122.7 million in 2023 (2022: HK\$316.4 million).
- Strong balance sheet with net cash and liquidity position of HK\$935.4 million (31 December 2022: HK\$1,050.3 million). The decrease was mainly due to the HK\$110.6 million share repurchased during the year.

HONG KONG ECOMMERCE BUSINESS HIGHLIGHT

- For 2023, to better reflect the segment performance according to the service nature, allocation of resources and performance assessment of the lines of business, the management has updated the composition of the segments, and the Hong Kong Ecommerce business segment had the following changes:
 - The reallocation of Third-Party Logistics ("3PL") service and ThePlace to Ecommerce business segment;
 - The reallocation of Wet Market Express to New Ventures and Technology business segment;As a result of the change, Hong Kong Ecommerce business represents HKTVMall including 3PL service and ThePlace.
- The GMV on order intake remained stable in 2023, reaching HK\$8,292.9 million (2022: HK\$8,276.2 million);
- Adjusted EBITDA as a % of GMV on completed orders at 3.1% reaching HK\$256.4 million in 2023 (2022: 4.6% reaching HK\$377.5 million) as a result of (a) mild growth in GMV on order intake; (b) decrease in gross profit margin on direct merchandise sales to maintain online groceries competitiveness and to broaden groceries customer base; (c) additional marketing promotion effort to drive cross-categories purchases and to expand customer base; and (d) full year impact on start-up operating loss for the soft launch of 3PL service;
- Overall gross profit margin and blended commission rate³ for 1P and 3P Business was at 22.3% in 2023 (2022: 23.4%); and
- During 2023, we had 1,507,000 unique customers, which represented a growing customer base for long term sustainable growth (2022: 1,403,000 unique customers), together with an impressive increase in Monthly Active App Users to approximately 1,680,000 users (2022: 1,520,000 users).

NEW VENTURES AND TECHNOLOGY BUSINESS HIGHLIGHT

- In 2023, New Venture projects mainly includes Wet Market Express, Everuts, Fully Automated Retail Store and System, and Life Science project;
- During 2023, an aggregated GMV on order intake of HK\$131.1 million was achieved by the New Venture projects;
- An adjusted EBITDA loss of approximately HK\$126.2 million was incurred in 2023 (2022: HK\$57.0 million). The increase in loss was mainly due to the full year start-up operating costs incurred for New Venture projects and allocated uncanceled technical and supporting costs, while in 2022 certain operating expenses were incurred for a solution client which had ceased operation in July 2022.

- 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 Adjusted EBITDA means profit for the year plus income tax (credit)/expense, depreciation of property, plant and equipment (excluded depreciation on other properties leased for own use), amortisation of other contract costs and amortisation of intangible assets and deduct investment returns, adjusted by major non-cash items, excluded non-recurring items including government subsidies and write-off of receivables and other contract costs, net. Adjusted EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards (“**HKFRSs**”). This measure does not represent, and should not be used as a substitute for, net profit or cash flows from operations as determined in accordance with HKFRSs. This measure is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definition of this measure may not be comparable to other similarly titled measures used by other companies.
- ³ Gross profit margin and blended commission rate is calculated before deduction of HKTVmall dollars and use of promotional coupon (if any), which is considered as advertising and marketing expenses under management reporting purpose, and include merchant annual fee amortisation and other service income.

CHAIRMEN'S STATEMENT

Dear Shareholders,

2023 marks a turning point for our outlook and future prospects.

Amid a complicated and ever-changing global economy and political environment, the Hong Kong economy and society are constantly evolving. Hong Kong's population, including its demographic composition, educational mindset, income levels, age distribution, etc., is undergoing structural changes. Coupled with the downturn in economic confidence, volatile and softened financial and stock markets, falling property prices and reduced trading volume, the retail consumption atmosphere has been significantly weakened. In parallel with the influence from external and global economic and political environment, we anticipate a decline in the local consumer market, in which significant growth as in the past will be unlikely. Although HKTVmall has established a leading position in the Hong Kong Ecommerce market, there is still room for further development with a current market share of less than 5% in the overall retail industry. However, to sustain high growth momentum, it is necessary to capture business from the physical retail market, which will be challenging, thus requiring more efforts in marketing promotion.

In addition, citizens have resumed outbound travel together with the change in consumption patterns for some Hong Kong consumers with increasing confidence towards the quality of Mainland's products that lead to a surge in cross-border consumption, the retail industry in Hong Kong, especially in houseware products, supermarket products and groceries, faces competition pressure from physical stores and Ecommerce platforms in Mainland. In light of these changes and reasons, we are seriously considering adjusting the future contingency plans and strategies for HKTVmall:

1. Achieving the target of HK\$12 billion in the overall GMV on order intake by 2026 is not an easy task. To achieve this goal, we will significantly increase advertising expenses and marketing promotion costs. However, we anticipate that even with a substantial increase in marketing efforts, the growth rate of GMV on order intake will slow down compared to previous years. Therefore, the target of 2026 may need to be delayed.
2. The Group has never been afraid of competition and continuously evaluates the market competitive environment. To cope with the competition pressure from physical stores and Ecommerce platforms in Mainland, we need to attract more merchants outside Hong Kong and may need to engage in price wars to gain market share while increasing operational costs in all aspects.

3. In the coming years, we will accelerate the deployment and investment in “Wet Market Express” services as it will become one of HKTVMall’s unique advantages. As mentioned in point 2, Hong Kong’s houseware products, supermarket products and groceries face competition pressure from large-scale supermarkets in Mainland. However, local fresh food and wet market goods still possess certain “irreplaceable” advantages. Although this service is currently operating at a loss which may continue to expand in the next year and the following year, this situation is similar to the early days of HKTVMall. We must first increase the business volume to further reduce the cost per order and turn losses into profits.

The Fully Automated Retail Store and System in the UK are still in the investment phase. We need an additional one to two years to refine the design of the system and stores overall operations. Although we are confident in this new technology and consumer acceptance, developing new business in the UK faces certain difficulties including insufficient management resources, work cultural differences, establishment of relationships with UK suppliers from scratch, and the time required to form an efficient work team. Despite facing various challenges, we still believe that for the long-term benefit of the Group, it is a necessary task to expand business outside Hong Kong and diversify business operations and investment locations.

The management has always put “long-term growth” as the prime mission. When balancing long-term survival goals and short-term profitability, we prioritize the former. To face the structural changes in Hong Kong’s society and economic system, we must strengthen investments in all aspects and actively explore new businesses in and outside Hong Kong. At the same time, we aim to maintain a stable management team and workforce to bring long-term returns to shareholders.

We hope our shareholders understand that in the next three to five years, the Group will roll out many new concepts, technologies and business development, where allocation of resources and funds will be needed. Use of internal resources and balance between income and expenses will be the management’s major consideration.

Meanwhile, we will continue to buyback the Company’s shares. We firmly believe that this action provides a more appropriate path for investors who choose to leave the Group while increasing returns to shareholders who are confident in the Group to make long-term investments.

Cheung Chi Kin, Paul

Chairman

Wong Wai Kay, Ricky

Vice Chairman

Hong Kong, 27 March 2024

BUSINESS REVIEW

Hong Kong Ecommerce Business

For 2023, the Hong Kong Ecommerce business segment had the following changes:

1. The addition of 3PL service, as management considered that its economic characteristics and nature of service and operating processes are similar to the fulfilment process for completing HKTVmall's 1P Business. The inclusion of 3PL service in the same segment is considered as an expansion of fulfilment options to fulfill HKTVmall's customer orders;
2. The addition of ThePlace, as management considered its business model is an extension of the partnership options for retailers joining HKTVmall and form part of the HKTVmall ecosystem;
3. The reallocation of Wet Market Express to New Ventures and Technology business segment, as management considered this business is a distinct business model that requires separate resource allocation and performance evaluation.

In this regard, certain comparative figures are updated to reflect the above changes accordingly⁴.

Despite the Hong Kong retail sector's ongoing recovery falling short of market expectations and lagging behind pre-COVID-19 sales value, together with the pressure brought by shifting purchase habits to away from Hong Kong retail market, in 2023, HKTVmall still managed to achieve an aggregate GMV on order intake of HK\$8,292.9 million (2022: HK\$8,276.2 million).

Nevertheless, we still experienced a moderate drop in the quarterly average purchase frequency per customer from 5.1x in the fourth quarter of 2022 ("4Q2022") to 4.6x in the fourth quarter of 2023 ("4Q2023") and the quarterly average main categories purchased per customer was 3.0 main categories in the 4Q2022 versus 2.90 main categories in 4Q2023.

While we recognize that the recovery of the retail sector will require a gradual process, we have maximized this period to fortify our Ecommerce foundation. This involved expanding our online merchant base, diversifying our product selection, and growing our user and customer base.

Drive Cross Product Categories Growth beyond Groceries

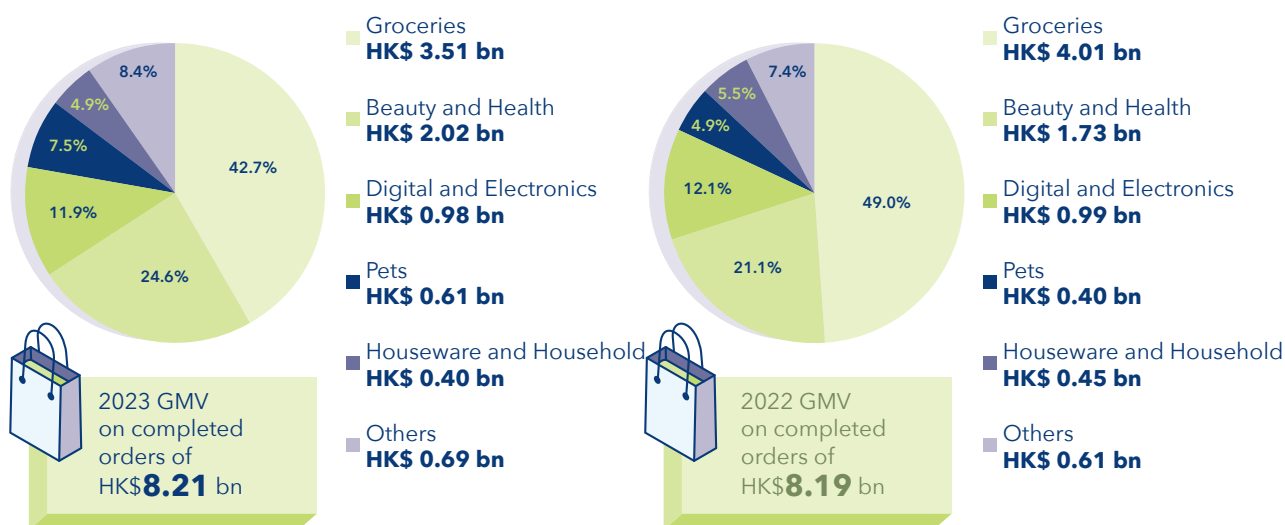
In 2023, we generated HK\$8,210.3 million GMV on completed orders (2022: HK\$8,188.1 million). Due to economic limitations and a slow recovery in the retail sector, the year-on-year growth has been modest. Despite the challenges, we maintained our focus on driving cross-category sales, and user and customer base expansion through digital channels and large-scale marketing campaign.

⁴ Comparative figures in 2022 for Hong Kong Ecommerce business are not adjusted to exclude Wet Market Express given its integrated and shared costs with HKTVmall and insignificant net financial impact.

On 2 November 2023, we launched a marketing campaign “Mom-Certified” with our advertisement dominated the trackside panels of 58 MTR stations and strategically distributed discounted cash vouchers totaling not less than HK\$3,000 to HKTVMall users covering HKTVMall, Wet Market Express, Everuts and delivery to locations outside of Hong Kong. This concerted effort aims to drive users to make purchases in less frequent purchase product categories and to expand our customer base through acquisition of new users.

Together with the efforts from digital channels and diversified merchant commission plans, the cross-category sales started to yield positive outcomes during the year, particularly on Pets, and Beauty and Health product categories as shown in the below chart.

Product categories distribution (based on GMV on completed orders)



Comparing to 2022, the major changes are as follows:

1. **Pets:** increased by HK\$0.21 billion, representing a year-on-year growth of 52.5% and becoming the Top 4th main product category at HKTVMall. The remarkable upswing in performance can be primarily attributed to the effective implementation of a competitive commission scheme since 2021. This strategic measure has significantly influenced the product category’s performance, leading to an exceptional growth trajectory throughout 2023.
2. **Beauty and Health:** increased by HK\$0.29 billion, representing a year-on-year growth of 16.8%, largely attributed to two key factors: a significant decrease in mask-wearing practices and a rising trend of health and hygiene consciousness among consumers.
3. **Groceries:** remained the largest contributing product category, experienced a decrease of HK\$0.5 billion in GMV on order intake but the number of unique customers was on increasing trend over time. The decline in GMV on order intake was attributed to the fact that the first half of 2023 accounted for slightly more than two-thirds of the decrease that occurred, mainly caused by two factors: (a) the significant surge in demand during February and March 2022 due to the fifth wave of COVID-19 pandemic which did not recur in 2023; and (b) the increase in outbound travel after the removal of the travel restriction since late 2022. The decline gradually narrowed during the second half of 2023.

Growing Solid User Base and Customer Base in and beyond Hong Kong

During 2023, one of the key focuses was to expand the user base which has yielded an exciting result. We have successfully increased the number of Monthly Active App Users⁵ from 1.52 million users in December 2022 to an impressive 1.68 million users in December 2023, with the highest recorded number of users reaching 1.78 million in November 2023. The overall user base is on growth trend and the fluctuation in user numbers could be primarily attributed to the significant increase in outbound travel during the long holiday season which is expected to be a temporary decrease in user activity during that period.

Furthermore, we have experienced a net addition of approximately 104,000 unique customers made purchases during 2023, bringing our total number of unique customers to approximately 1,507,000 in 2023 (2022: 1,403,000 unique customers). These remarkable outcomes have laid a robust foundation for future growth in GMV at HKTVmall and other New Venture projects.

The user base and customer base is also benefited from the last mile extension to locations outside of Hong Kong. To extend the customer relationship and to capture business opportunities arising from the increase in emigrating Hong Kong permanent residents, HKTVmall has been extending its delivery footprint to Macau in late 2022, the United Kingdom, Australia, and Canada during 2023. This last mile extension has aided to solidify the user base and customer base over time.

Furthermore, the increasing popularity of ShareHub also contributed to the growing user base. This social platform embedded in HKTVmall has launched an affiliate program “More! Dollar!” during 2023 aiming to enhance stickiness by incentivizing content creators and followers with Mall Dollars for driving purchases at HKTVmall. Benefited from the enriching content at ShareHub, the user base has increased to over 960,000 unique users in 2023 which is a solid base to generate additional traffic and potential revenue for HKTVmall.

8-hour Delivery Empowered by Our 3PL Service

Powered by automation system and robotics, our 3PL service aims to provide HKTVmall merchants with one-stop order processing and fulfilment management services so as to better serve our customers with reliable and expedited delivery. The service is supported by the following:

1. 144,000 square feet fulfilment center designed and tailored for 3PL Service;

⁵ Monthly active App user data is extracted from Google Analytics and rounded to the nearest thousand, the computation method and basis of which have not been verified. In general, the data for App users could be overlapping if the user reinstalls HKTVmall Main App or Lite App on the same device or amends the “advertising” ID of its device, or uses multiple devices, or uses both HKTVmall Main App and Lite App in the same month. The information for the same period can be changed at different points of time when capturing the data as Google Analytics performs the analysis on a sampling basis. According to Google Analytics, “active user” is defined as the unique user who initiated sessions on the App within the selected date range.

2. Capacity to store and handle approximately 100,000 product items, taking into account variations in product mix; and
3. Daily order picking capacity of 20,000+ orders, considering the complexity and structure of each individual order.

Merchants entrusted their fulfilment process to our 3PL Service has benefited commercially from as quick as 8 hours order-to-delivery customer experience and higher ranking at HKTVmall key word search results. The top three 3PL merchants achieved a notable growth in the total store GMV for the months from joining our 3PL service to December 2023, as compared to the same period in 2022, with a gadget merchant store achieving an exceptional 198% increase in GMV, a personal care merchant store experiencing an outstanding 84% growth, and a pet merchant realizing a notable 62% surge in GMV. These remarkable outcomes highlight the value and advantages our service brings to merchants in driving significant business growth over time.

Strategic Change in 1P and 3P Business Performance

Throughout 2023, we maintained a consistent mix between direct merchandise sales (“**1P Business**”) and merchant concessionaire sales (“**3P Business**”), with approximately 29.7% GMV on completed orders attributed to 1P Business and 70.3% to 3P Business (2022: 30.1% versus 69.9% respectively).

We remain committed to our strategy of ensuring stable supplies through 1P Business for recurring purchases. Simultaneously, we are focused on expanding and diversifying our merchant base and product offerings. This includes venturing into overseas direct imports and actively growing our merchant base through the implementation of flexible business models and fulfilment options, such as the 3PL service and the launch of all-in-one eStore solution – ThePlace for different merchant segment. In December 2023, our platforms have further enlarged the product choices by offering approximately 1.60 million product items to consumers from more than 6,400 merchants and suppliers.

As mentioned in 2023 interim results, we deliberately decreased our gross profit margin during the year to maintain online competitiveness and to achieve the above strategy to enrich our online consumer choices. In this regard, the gross profit performance is in line with our expectation.

GROSS PROFIT MARGIN AND BLENDED COMMISSION RATE

In thousands of Hong Kong dollars unless specified except for ratios

	For the year ended 31 December 2023 <i>HK\$'000</i>	For the year ended 31 December 2022 <i>HK\$'000</i>
On completed orders and on adjusted basis⁶		
Direct merchandise sales		
GMV on completed orders ^{6,7}	2,441,413	2,465,635
Cost of inventories	<u>(1,865,094)</u>	<u>(1,819,490)</u>
Gross profit	576,319	646,145
Gross profit margin	<u>23.6%</u>	<u>26.2%</u>
Income from concessionaire sales and other service income		
GMV on completed orders ⁶	5,768,861	5,722,502
Merchant payments (net off by other service income)	<u>(4,511,856)</u>	<u>(4,456,562)</u>
Income from concessionaire sales and other service income ⁸	1,257,005	1,265,940
Blended commission rate	<u>21.8%</u>	<u>22.1%</u>
Total GMV on completed orders⁶	8,210,274	8,188,137
Total gross profit and income from concessionaire sales and other service income^{7,8}	1,833,324	1,912,085
Total gross profit margin and blended commission rate	<u>22.3%</u>	<u>23.4%</u>
Multimedia advertising income and licensing of programme rights		
Multimedia advertising income	150,527	131,597
Other programme license	<u>10</u>	<u>33</u>
	150,537	131,630
Gross contribution from Ecommerce business segment	1,983,861	2,043,715
Income from New Ventures and Technology business segment	<u>12,744</u>	<u>5,357</u>
Gross contribution from Ecommerce and New Ventures and Technology business segments	<u>1,996,605</u>	<u>2,049,072</u>

⁶ GMV on completed orders represents the total gross sales dollar value for merchandise sold through a particular marketplace and the customer has obtained control of the promised goods and services ordered over a certain time frame, after deduction of any discounts offered by the marketplace, cancellation and returns of merchandise, and is before the deduction of certain HKTVmall dollars and promotional coupon which is considered as advertising and marketing expenses under management reporting purpose.

⁷ For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVmall dollars of HK\$4,364,000 (2022: HK\$718,000) and use of promotional coupon of HK\$44,067,000 (2022: HK\$39,297,000).

⁸ For income from concessionaire sales and other service income, it is before the deduction of net HKTVmall dollars of HK\$1,562,000 (2022: HK\$496,000) and included merchant annual fee amortisation and other service income.

The total gross profit margin and blended commission rate at Hong Kong Ecommerce business decreased to 22.3% in 2023 (2022: 23.4%) mainly caused by the following factors:

1. Deliberate 1P Business gross profit margin reduction to 23.6% (2022: 26.2%)

The deliberate reduction aims to maintain competitive pricing for online groceries, drive purchases in less frequently bought product categories, and expand the customer base. This strategic approach is particularly crucial for online platforms, where 1P customers serve as a solid foundation for sustained repeat visits and purchases.

2. Optimized 3P Business strategy yields minor decrease in blended commission rate to 21.8% (2022: 22.1%)

Income from concessionaire sales and other service income includes commissions and other service income earned from concessionaire sales at HKTVmall and ThePlace, and service income from 3PL service.

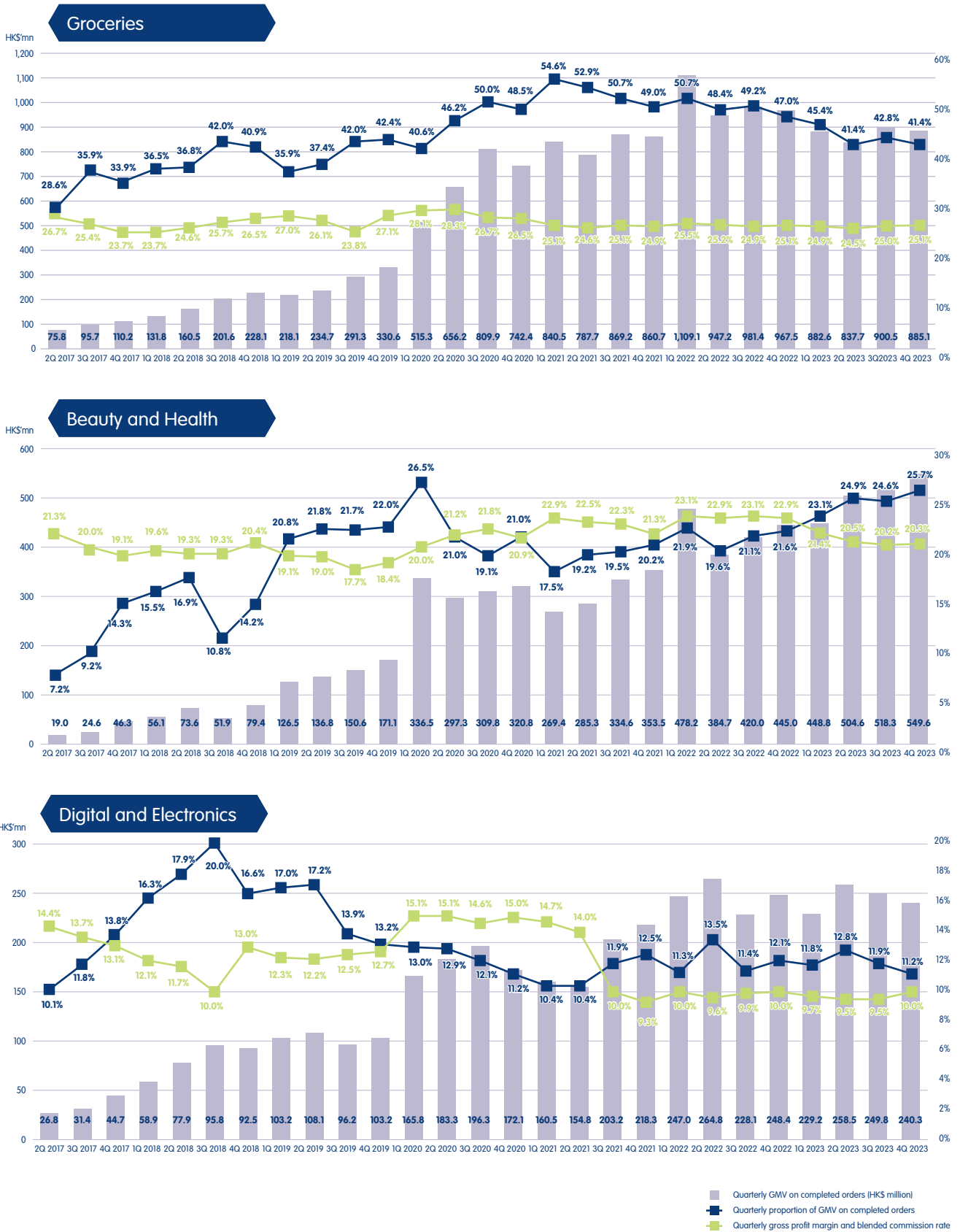
To incentivize retailers to develop their Ecommerce business, in the second half of 2022, in addition to our existing merchant standard delivery plan which our logistics team handles last mile delivery to customers, we expanded the delivery options which merchants can have an option to arrange their own last mile delivery and benefit from a lower commission rate.

This new merchant delivery plan has largely benefited the Digital and Electronics, Beauty and Health and Pets product categories by enlarging the merchant choices and product choices to the consumer market and an obvious GMV growth on Beauty and Health and Pets product categories was observed in 2023. Hence, the blended commission rate was slightly affected comparing to 2022.

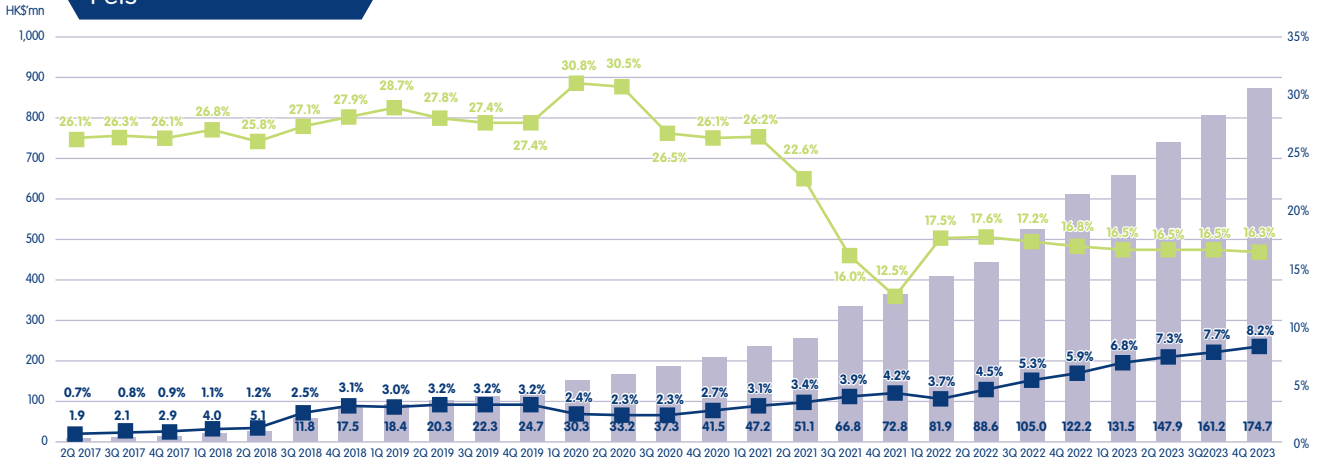
3. Stabilized multimedia advertising income of HK\$150.5 million (2022: HK\$131.6 million)

Despite the challenging operating environment in Hong Kong, we managed to have a 14.4% growth on multimedia advertising income in 2023. This has essentially demonstrated a gradual adoption of digital channels at HKTVmall platform by our suppliers, merchants, and business partners to drive their business growth. In the coming year(s), we will invest to drive further data adoption by our partners for future monetization.

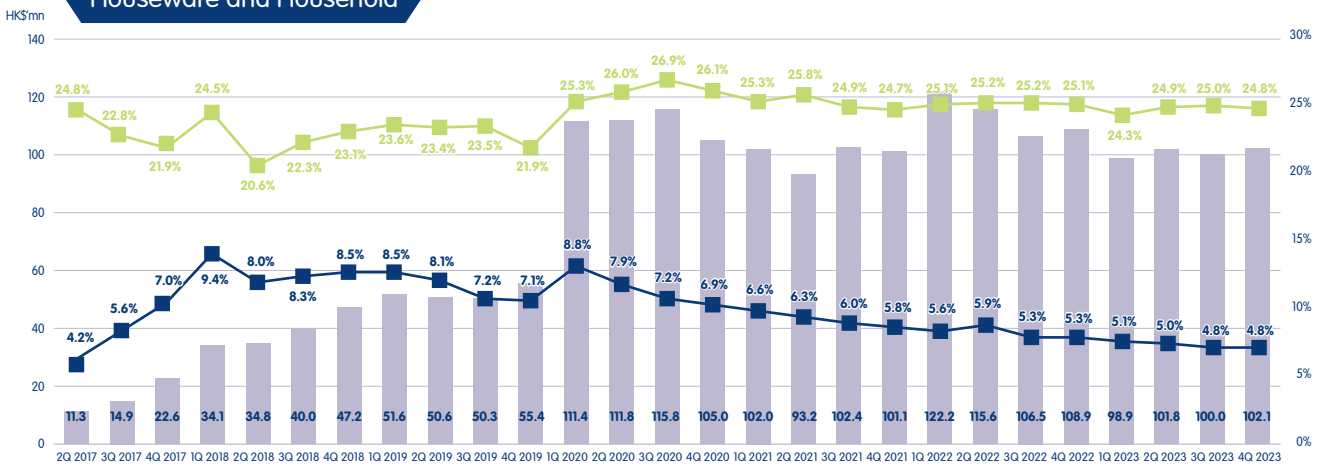
On product category basis, the gross profit margin and blended commission rate trend is summarised as below:



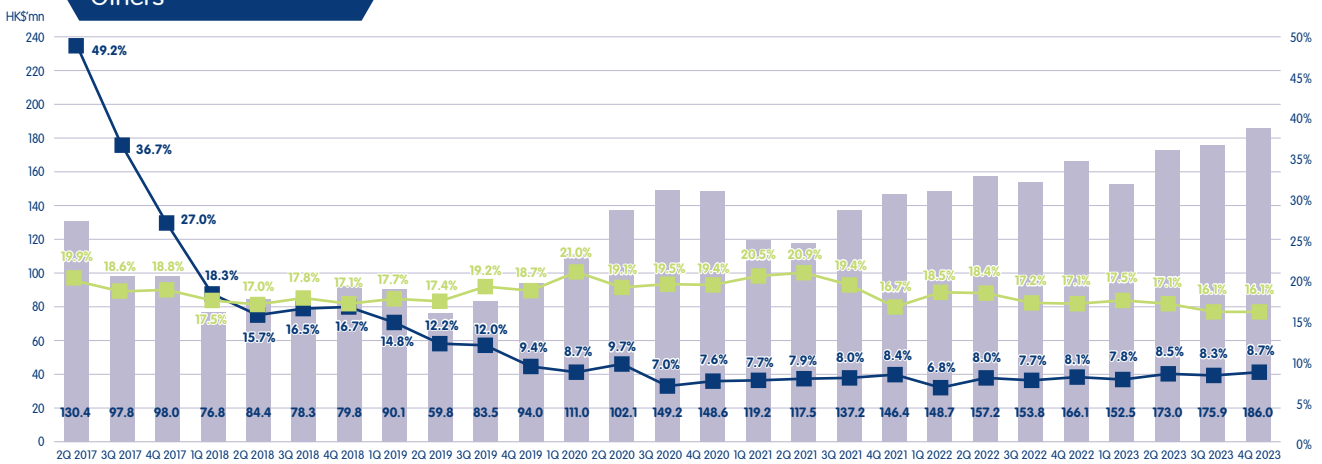
Pets



Houseware and Household



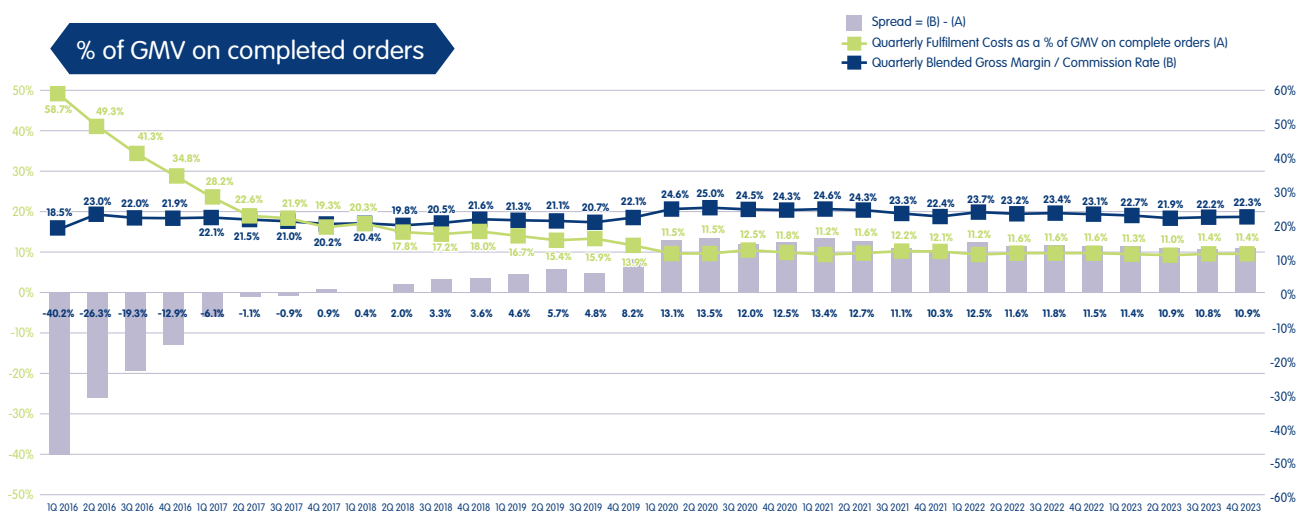
Others



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

Planned and Disciplined Fulfilment Cost Efficiency

The fulfilment costs as a % of GMV on completed orders for HKTVmall (after the inclusion of 3PL service operating costs) remained quite stable.



Remark:

1. Quarterly Fulfilment Costs as a % of GMV on completed orders included the interest on lease liabilities of HK\$14.3 million, HK\$10.1 million, HK\$7.4 million, HK\$5.9 million and HK\$4.8 million for year 2023, 2022, 2021, 2020 and 2019 respectively under HKFRS 16 in relation to fulfilment centre, which is grouped under finance costs in the consolidated income statement.
2. Quarterly Blended Gross Margin/Commission Rate for 3Q2021 and 4Q2021 have absorbed the merchant incentive rebate for 2021 which yield to a lower rate.
3. Quarterly Fulfilment Costs as a % of GMV on completed orders for 4Q2022 onwards includes 3PL service fulfilment costs incurred.
4. Blended Gross Margin/Commission Rate is calculated before deduction of HKTVmall dollars and use of promotional coupon which is considered as advertising and marketing expenses under management reporting purpose, and net of merchant annual fee, delivery and other income.

New Ventures and Technology Business

In 2023, we officially launched various New Venture projects at HKTV Group and they are under different phases of development and achievements, and the Group is still absorbing the unavoidable start-up losses from these projects. Below are the highlights of certain key venture projects.

Embedding Wet Market Express as Part of the Online Ecosystem

Aiming to connect freshness to consumers' doorstep, Wet Market Express was quickly expanded its consumer reach to more than 91.5% of HKTVmall customer base in the third quarter of 2023. This extensive network coverage enables Wet Market Express to quickly revolutionize the way consumers experience fresh products by providing unparalleled convenience, reliability, and delivery in as quick as a 3-hour window. Now, consumers can reach more than 400 wet market merchants offering more than 20,000 product items with their fingertips.

Impressively, we successfully grew the number of unique customers purchasing wet market products through HKTVmall App with a remarkable 10 times growth in 12-month period. All these efforts have translated into approximately HK\$100.6 million GMV on Order Intake in 2023, with almost 10 times growth on monthly GMV on order intake when comparing January 2023 with December 2023.

The rapid growth of Wet Market Express can be attributed to our strategic use of social media. Our creative and down-to-earth promotional content resonates with consumers, capturing their attention and fostering brand awareness. By staying connected and responsive, we are building a loyal customer base that appreciates our commitment to freshness and convenience.

Everuts

Everuts has experienced phenomenal growth since its January 2023 launch. Our network of personal shoppers has expanded to a thriving global community exceeding 6,000, with even more joining our ranks, spanning over 30 countries and locations worldwide. This growth strengthens the supply side of our Everuts App. Hong Kong, Macao and Thailand consumers can directly request specific items or seek personalised recommendations from our personal shoppers, ensuring they find exactly what they desire. While the widespread adoption of this business model in the consumer market may require time, we are gradually scaling up the operations of Everuts. In 2023, Everuts generated approximately HK\$30.4 million in GMV on order intake, reflecting the initial progress and growth of the business.

The global consumer landscape is constantly evolving, with a rising demand for unique and personalised shopping experiences, where local online and offline retailers cannot fulfil the demands. While overseas purchasing options exist, navigating them can be complex. Everuts offers a solution that prioritises customer needs and fosters long-term user adoption. Our innovative model empowers consumers to break free from the limitations of traditional stores. Unlike a limited product selection, Everuts provides access to a vast array of possibilities with a strong focus on luxury, fashion and hobbyist goods like toys and figures, and even sporting equipment.

Security remains paramount at Everuts. We employ rigorous measures to ensure safe and secure transactions for all users. Your payment is a guarantee – the product you request will be shipped to you, safeguarding you from scams and unauthorised charges.

Beyond security, Everuts fosters a highly engaging environment. Our global interactive live shopping shows have proven popular, but the true heart of our community lies in the vibrant Everuts Group Chats. These chats allow Exploruts to build trust and relationships with target audiences through ongoing dialogues, fostering a strong sense of community between our Exploruts and customers.

Everuts prioritises long-term growth strategies. By investing in this innovative and customer-centric shopping experience, we are building a robust and sustainable business model poised for continued success.

First Self-Invented Smart Store in Manchester – in:Five

Our self-invented Fully Automated Retail Store and System had its first pilot store launched in late August 2023 in Manchester, the United Kingdom under the brand “in:Five”. In:Five store is a new app-powered click and collect convenience store enabling consumers to order product items at different temperatures including ambient and chilled via the app, and collect from the in-store locker at customers’ selected timeslot as quick as in minutes. The entire order picking process is completed by robotics at store.

The project team will need another 1 to 2 years’ time to continue refining the design of the system and reviewing the store operation to optimize the effectiveness and efficiency for future mass scale deployment.

FINANCIAL REVIEW

Due to the change of segment composition in 2023 as mentioned in the “Business Review” section, certain comparative figures are updated to reflect the changes accordingly. During the year, the Group recorded a 1.7% growth on GMV on completed orders, reaching HK\$8,330.1 million (2022: HK\$8,188.1 million). The Group’s turnover decreased by 0.4% to HK\$3,811.7 million in 2023 (2022: HK\$3,828.1 million) which is composed of:

1. HK\$2,393.0 million from direct merchandise sales (2022: HK\$2,425.6 million);
2. HK\$1,268.2 million from concessionaire sales and other service income (2022: HK\$1,265.4 million);
3. HK\$150.5 million from multimedia advertising income and licensing of programme rights (2022: HK\$131.6 million); and
4. No Technology business income was recognized in 2023 (2022: HK\$5.4 million).

With the 1.3% decrease in direct merchandise sales, the cost of inventories increased by 2.5% to HK\$1,865.1 million (2022: HK\$1,819.5 million), which drove a decrease in gross profit margin to 23.6% (2022: 26.2%). The decrease in gross profit margin can be attributed to multiple factors, one of which is the objective of maintaining competitiveness in the online groceries sector. Additionally, efforts were made to encourage online purchases of less frequently bought product categories and to acquire new customers by leveraging the grocery segment as an entry point.

Income from concessionaire sales and other service income includes commissions and other service income received from 3P Business at HKTVmall, Wet Market Express, Everuts and ThePlace, and service income received from 3PL services.

In 2023, other operating expenses increased by HK\$110.6 million to HK\$1,979.3 million (2022: HK\$1,868.7 million).

For running the Hong Kong Ecommerce business (representing HKTVmall including ThePlace and 3PL service), the key operating expenses includes fulfilment costs, marketing, promotional and O2O shop marketing expenses, O2O shop operating expenses, and Ecommerce operation and supporting costs, which as a percentage of GMV on completed orders, has increased to 21.2% in 2023 (2022: 20.5%).

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

	2023		2022	
	As a % of GMV on completed orders	HK\$ million	As a % of GMV on completed orders	HK\$ million
Fulfilment costs (note 1)	11.3%	930.1	11.7%	961.6
Marketing, promotional and O2O shop marketing expenses	2.7%	222.5	2.4%	194.3
O2O shop operating expenses (note 2)	2.4%	196.7	1.8%	146.2
Ecommerce operation and supporting costs	4.8%	391.4	4.6%	376.9
Hong Kong Ecommerce business segment key operating expenses	21.2%	1,740.7	20.5%	1,679.0
New Ventures and Technology business segment key operating expenses (note 3)		136.5		76.0
Other unallocated operating expenses		32.8		30.0
Total key operating expenses		1,910.0		1,785.0
Major non-cash items (note 4)		137.1		137.3
Less: Marketing, promotional and O2O shop marketing expenses deducted in turnover		(50.0)		(40.5)
Less: Interest on lease liabilities included in finance costs		(17.8)		(13.1)
Total other operating expenses		1,979.3		1,868.7

Notes:

1. Including depreciation – other properties leased for own use of HK\$85.2 million (2022: HK\$69.7 million) and interest on lease liabilities of HK\$14.3 million (2022: HK\$10.1 million).
2. Including depreciation – other properties leased for own use of HK\$74.1 million (2022: HK\$74.8 million) and interest on lease liabilities of HK\$2.5 million (2022: HK\$2.6 million).
3. Including depreciation – other properties leased for own use of HK\$6.3 million (2022: HK\$4.7 million) and interest on lease liabilities of HK\$0.9 million (2022: HK\$0.4 million).
4. Excluding depreciation – other properties leased for own use of HK\$165.6 million (2022: HK\$149.2 million).

On Hong Kong Ecommerce business segment key operating expenses:

- (1) **Fulfilment costs** incurred for warehousing and logistics activities, including the operation of 3PL service and allocation of shop pick-up costs. The overall fulfilment costs, as a percentage to GMV on completed orders, decreased from 11.7% in 2022 to 11.3% in 2023. This reduction can be attributed primarily to two factors. Firstly, there were decreased operating expenses and talent costs in 2023, which were a result of removed measures taken in response to the COVID-19 pandemic in 2022. These removed measures included reductions in daily rate manpower, outsourcing service providers, hardship allowances, additional shop pick-up charges, and recharges.

Secondly, the introduction of a merchant delivery plan in the second half of 2022 enhanced the efficiency of our fulfilment and last mile delivery resources, which allowed us to meet the growing demands of our business while managing costs effectively. However, the full year fulfilment costs incurred for the soft launch of 3PL service in 2023 has partially offset the overall benefits.

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

Including the HKTVmall Mall Dollars granted and promotional coupons used amounting to HK\$50.0 million (2022: HK\$40.5 million) which was deducted in the turnover, the total expenses as a percentage to GMV on completed orders increased to 2.7% (2022: 2.4%). The total expenses amounted to HK\$222.5 million in 2023, compared to HK\$194.3 million in 2022.

This increase was primarily due to the implementation of additional promotional activities during 2023 following the recovery from the COVID-19 pandemic in 2023. Notably, a significant promotional event “Mom-Certified” with advertisements dominated the trackside panels of 58 MTR stations together with the strategic distribution of discounted cash vouchers totaling not less than HK\$3,000 to HKTVmall users was launched during November and December 2023 contributing to the increased expenses.

- (3) **O2O shop operating expenses** include shop operating expenses and relevant Talent costs incurred, which increased from 1.8% of GMV on completed orders in 2022 to 2.4% in 2023. The increase in operating expenses was mainly due to less recharge to fulfilment function for shop pick-up orders and full force on shop operations during 2023 in view of the relaxation of COVID-19 measures which has partially shifted the delivery options back to door-to-door last mile delivery, but in the meantime, with increased shop point-of-sales activities. The number of O2O shops were 87 in December 2023 (included 5 mega stores) and 93 in December 2022 (including 5 mega stores).
- (4) **Ecommerce operation and supporting costs** includes payment processing charges, merchant relations and acquisition, customer service, research and development costs incurred which are not qualified for capitalisation as intangible assets and other supporting functions. The Ecommerce operation and supporting costs increased from 4.6% in 2022 to 4.8% in 2023 of GMV on completed orders.
- (5) **New Ventures and Technology business segment key operating expenses** mainly represent (a) the start-up operating expenses associated with New Venture projects; (b) the research and development costs incurred which are not qualified for capitalisation as intangible assets or other contract costs; and (c) allocated costs from shared support functions. The increase in expenses can be primarily attributed to full year effect on operating expenditures and the growing business scale for Wet Market Express and Everuts.
- (6) **Other unallocated operating expenses** mainly represented the expenses of head office and corporate expenses not allocated to Hong Kong Ecommerce business or New Ventures and 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. The decrease was mainly due to HK\$2.8 million decrease in depreciation on property, plant and equipment (excluding depreciation on other properties leased for own use) caused by certain fully depreciated computer equipment and motor vehicles and a reversal of equity-settled share-based payment expenses (after capitalisation) of HK\$1.2 million in 2023 (2022: provision of HK\$1.1 million).

During the year ended 31 December 2023, a valuation loss of the Group on investment properties of HK\$0.6 million (2022: gain of HK\$0.7 million) was recognised based on the valuation carried out by an independent firm of surveyors at year end.

Other income, net, of HK\$90.6 million was earned in 2023 (2022: HK\$15.5 million), which mainly composed of investment returns generated from other financial assets and bank deposits of HK\$42.8 million (2022: HK\$22.2 million), rental income from investment properties of HK\$23.8 million (2022: HK\$23.8 million), partially net off by the unrealised fair value loss on units in investment funds measured at FVPL of HK\$0.8 million (2022: HK\$13.3 million), reversal of for expected credit losses on debt securities measured at FVOCI of HK\$0.2 million (2022: provision of HK\$42.2 million), and net exchange gain of HK\$4.4 million (2022: loss of HK\$6.0 million). The significant increase in income was mainly due to (a) in 2022, there was a provision for expected credit losses on a 10-year bond issued by one of the major financial institutions in Russia acquired almost 10 years' ago, which are defaulted as a result of the Russia-Ukraine conflict and international sanction measures imposed on Russia's financial system; and (b) increase in bank interest income by HK\$17.7 million.

Finance costs are mainly composed of interest on lease liabilities of HK\$17.8 million (2022: HK\$13.1 million).

An income tax credit of HK\$6.6 million was recognised in 2023 (2022: HK\$69.8 million) included a deferred taxation credit of HK\$7.4 million (2022: HK\$71.3 million).

Overall, the Group generated a profit for the year of HK\$45.3 million for 2023 (2022: HK\$212.2 million) and an adjusted EBITDA profit of HK\$122.7 million (2022: HK\$316.4 million).

If excluding the adjusted EBITDA for New Ventures and Technology business segments and unallocated head office and corporate net income/(expense), and the inter-segment margin, the adjusted EBITDA for Hong Kong Ecommerce business is HK\$256.4 million in 2023 (2022: HK\$377.5 million).

On New Ventures and Technology business segment, it incurred an adjusted EBITDA loss of HK\$126.2 million in 2023 (2022: HK\$57.0 million) mainly for the below New Ventures project:

1. Wet Market Express of HK\$50.0 million
2. Fully Automated Retail Store and System of HK\$44.5 million
3. Everuts of HK\$21.1 million
4. Life Science Project of HK\$2.5 million

The increase in loss was mainly attributed to the full year impact on start-up operating losses incurred for New Venture projects particularly due to the expanding business scale for Wet Market Express and Everuts and allocated uncapitalised research and development costs and supporting costs, while in 2022, certain operating expenses were incurred for a solution client which had ceased operation in July 2022.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2023, the Group had total cash position representing cash at bank and cash equivalents and time deposits of HK\$573.6 million (31 December 2022: HK\$705.8 million) and no outstanding borrowings. The decrease in total cash position was mainly due to the increase in net investment in financial assets of the investment portfolio of HK\$12.5 million, the capital and interest element of lease rentals of HK\$172.0 million, payment made for purchases of property, plant and equipment of HK\$196.4 million, share repurchase payment of HK\$110.6 million, HK\$47.5 million increase in payment for the addition to intangible assets, partially net off by the cash inflow generated from operating activities of HK\$366.7 million, interest and investment income received of HK\$36.7 million, net proceeds of HK\$3.0 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\$0.3 million.

On investment in other financial assets, the Group has invested, at fair value, HK\$361.8 million as at 31 December 2023 (as at 31 December 2022: HK\$344.5 million). As at 31 December 2023, there was a net deficit of HK\$20.0 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2022: a net deficit of HK\$21.6 million). During the year, the total fair value change on other financial assets (after netting of expected credit losses recognised) amounted to surplus of HK\$1.1 million (2022: deficit of HK\$72.5 million), in which deficit of HK\$0.8 million (2022: deficit of HK\$57.1 million), deficit of HK\$1.1 million (2022: deficit of HK\$8.5 million) and surplus of HK\$2.8 million (2022: deficit of HK\$6.9 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, and time deposits. Investment in fixed income products and time deposits 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 2023, the Group had utilised facilities of HK\$26.4 million (31 December 2022: nil), leaving HK\$1,016.6 million (31 December 2022: HK\$979.7 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at bank and in hand and time deposits within three months of maturity, if any. As at 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022 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 2023, the Group invested HK\$258.8 million on capital expenditure as compared to HK\$260.4 million in 2022. For the upcoming capital expenditure requirements, we will remain cautious and subject to the future business development of the Group 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 places 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 2022 <i>HK\$ million</i>	Amount utilised as at 31 December 2023 <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	150.5	200.0	By the end of 2023
(ii) Adding the 6th fulfilment centre	40	40.0	40.0	By the end of 2022
(iii) Adding around 200 to 250 delivery trucks	around 90 to 110	35.7	52.3	By the end of 2025
(iv) Upgrading computer hardware and software	50	50.0	50.0	By the end of 2021
General working capital of the Group	around 53.2 to 73.2	73.2	73.2	By the end of 2021
Total	<u>453.2</u>	<u>349.4</u>	<u>415.5</u>	

Charge on Group Assets

As of 31 December 2023, the Group's banking facilities of HK\$1,043.0 million were secured by the Group's other financial assets of HK\$284.3 million and cash of HK\$119.7 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 2023 and 31 December 2022, the Group had no material contingent liabilities or off-balance-sheet obligations.

PROSPECTS

Navigating Targets: Challenges and Economic Prospects in Hong Kong

In 2024, the retail landscape in Hong Kong faces fresh challenges. The Hong Kong Government projects a modest real growth rate of 2.5% to 3.5% for the 2024–2025 Budget[#], reflecting cautious market sentiment. Additionally, changing consumer purchasing habits to beyond Hong Kong exert further pressure on the retail sector. Amidst these dynamics, management faces challenges of projecting the Group's performance for the next two to three years and the target of achieving HK\$12.0 billion GMV on order intake by 2026 is shrouded in uncertainty and will require tremendous, sustained effort and strategic investments.

When establishing the 2024 key performance targets, management exercises prudence in taking into consideration the prevailing business environment and market dynamics.

[#] Source: <https://www.budget.gov.hk/2024/eng/budget03.html>

HKTVMall (excluding 3PL Servicer and ThePlace) 2024 Target

Business Target	2024 Target	2023 Actual Achievement
Annual GMV on Order Intake	HK\$8.7 billion to HK\$9.1 billion	HK\$8.29 billion
Blended gross profit margin and commission rate (before including multimedia advertising income)	22.0% to 22.5%	22.2%
Multimedia advertising income	HK\$143.0 million	HK\$150.5 million
Key operating expenses as a % of GMV on completed orders:		
(a) Fulfilment costs	10.7%–10.8%	10.8%
(b) Marketing, promotional and O2O shop marketing expenses	2.8%–3.0%	2.7%
(c) O2O shop operating expenses	2.2%–2.4%	2.4%
(d) Ecommerce operational and supporting costs	4.8%–5.0%	4.4%
Adjusted EBITDA (at cost basis) as a % of GMV on completed orders	2.6% to 3.0%	3.1%

New Venture Projects

Regarding our new venture projects, these initiatives play a vital role in driving sustained expansion and long-term value creation for shareholders. As such, we remain committed to allocating the necessary resources to drive their progress. However, management will maintain a vigilant watch over the project developments and remain adaptable to redefine the direction if and when necessary.

New venture projects mainly include Fully Automated Retail Stores and System, Wet Market Express, Everuts, and Life Science Project and their respective business target in 2024 are updated as follows:

Business Target	2024 Target	2023 Actual Achievement
Wet Market Express		
Annual GMV on order intake	HK\$200.0 million to HK\$260.0 million	HK\$100.6 million
Adjusted EBITDA loss	HK\$43.0 million to HK\$49.0 million	HK\$50.0 million
Fully Automated Retail Store and System		
Annual GMV on order intake	HK\$5.3 million	–
Adjusted EBITDA loss	HK\$57.0 million	HK\$44.5 million
Everuts		
Annual GMV on order intake	HK\$144.0 million	HK\$30.4 million
Adjusted EBITDA loss	HK\$35.0 million	HK\$21.1 million
Life Science Project		
Adjusted EBITDA loss	HK\$10.0 million	HK\$2.5 million

Navigating Structural Changes: Exploring and Refining Business Initiatives and Investment Opportunities

As mentioned in the Chairmen’s Statement, building a long term and sustainable HKTV Group is always our prime mission. Considering the ongoing structural changes in Hong Kong’s social and economic system, we remain proactive in exploring diverse business initiatives and investment opportunities both within and beyond Hong Kong.

We possess a comprehensive understanding of the associated development costs linked to new initiatives and venture projects, recognizing their potential impact on the Group’s short-term profitability. However, we firmly believe that these endeavors are indispensable for fostering the Group’s long-term growth and delivering favorable returns to our valued shareholders.

Empower Merchants by Building Flexible Business Models for Ecommerce Growth

To sustain continuous growth in our Hong Kong Ecommerce business, we continue to build upon our solid foundation. We are dedicated to developing new services, solutions, and features that empower flexible business models and decentralized marketing and fulfilment options that go beyond HKTVmall’s end-to-end platform. The following strategic advancements are specifically designed to meet the unique requirements of different retailers, enriching the consumer choices, strengthening customer relationship and fostering a more dynamic and adaptable ecosystem.

- (a) **Display Store** – a creditable new store format redirecting customers from HKTVmall to verified merchant’s e-platform in or beyond Hong Kong to continue the customer journey. The objective of the display store is to extend the online ecosystem beyond HKTVmall app by building the largest products and services directory therein, providing unparalleled convenience and varieties to consumers in one single app.

First display store – Selfridges from the United Kingdom was launched in December 2023, and a large-scale merchant recruitment campaign is officially commenced in the first quarter of 2024.

- (b) **New Venture project – ThePlace** – all-in-one eStore solution not only leveraging on HKTVmall’s growing 1.7 million monthly active app users and integrating with HKTVmall’s search engine, but also enable merchants to own their customer data. Furthermore, integration with different logistics platforms for last mile fulfilment and one click product data conversion from other Ecommerce platforms have added further layer of convenience to merchants for quick start and subsequent management.

A new function is targeted to launch in the second quarter of 2024 (“**2Q2024**”) which will enable merchants to place digital advertisement more effectively by using HKTVmall’s big data on Merchant Dashboard and their own customer data to derive target-oriented marketing and promotional activities powered by various artificial intelligence tools.

(c) **8-hour Express Delivery** – at present, more than 85,000 product items under our own inventory, 3PL service and same day in-hub merchants which are eligible for the 8 hours order-to-delivery. By leveraging the support of our 3PL Service allowing merchants to outsource stock in, storage, replenishment, picking and packing process to our 364 days all-year-round automated fulfilment operations, we aim to expand the 8-hour express delivery to cover 120,000 product items by end of 2024 including merchants’ products entrusted to us under our 3PL service. This expansion reflects our commitment to providing a comprehensive and efficient delivery experience for our customers.

(d) All-in-one marketing hub

(i) **Video-on-Demand** – Other than the concurrent interactive live shopping channels – HKTVLive to connect merchants and customers for direct engagement and interaction to simulate immediate purchase, the development of “Video-On-Demand” is also under the pipeline though with slight delay, and targets to launch in 2Q2024.

HKTVmall users can select their interested contents anytime but not only on shopping. We welcome content creators to provide content in their own ideas and styles to HKTVLive to enrich the content library on revenue sharing basis. We believe the diversified and creative content provided by this Video-On-Demand new feature will extend the screen time of our users and enhance the product cross-selling opportunities at HKTVmall.

(ii) **“ChicChat”** – a new group chat function is added to HKTVmall app in February 2024 empowering merchants to create customized customer groups, cultivating real-time interactive conversations. Through ChicChat, merchants can seamlessly distribute special offers, sharing product information, enhancing engagement and driving customer satisfaction.

- (iii) **External traffic referral program** – other than making use of HKTVmall 1.7 million plus user base to drive traffic to merchants, we also launched a reversed traffic driving program enabling merchant to promote their products at any external channels, such as social media platforms, emails, etc. with designated referral hyperlinks back to HKTVmall. Merchants are incentivized with a lower commission rate at 5% on related check out.

By building strong partnerships and supporting retailers, we can deliver more complete and timely online services to Hong Kong consumers. Together, we create a win-win scenario that benefits both retailers and consumers over time.

Update on Core CAPEX Plan for Automated Fulfilment Capacity Expansion

Amid the downturn in economic confidence and continuing shift to 3P business, management revisited and updated the expansion plan at our Tseung Kwan O headquarters. The revised core CAPEX plan for 2024 – 2026 is HK\$250 million to HK\$300 million which will be focused on expanding the distribution capacity as a depot center and sorting capacity for 3P business parcels. The CAPEX includes construction costs of a new building for loading and unloading functions and several automated systems for sorting and storage.

RESULTS

The board of directors (“**Director(s)**”) of the Company (“**Board**”) hereby announces the audited consolidated results of the Group for the year ended 31 December 2023.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

		Year ended 31 December 2023	Year ended 31 December 2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	3,811,706	3,828,051
Direct merchandise sales	3	2,392,982	2,425,620
Cost of inventories		(1,865,094)	(1,819,490)
		527,888	606,130
Income from concessionaire sales and other service income	3	1,268,187	1,265,444
Multimedia advertising income and licensing of programme rights	3	150,537	131,630
Technology business income	3	–	5,357
Valuation (losses)/gains on investment properties		(600)	650
Other operating expenses	5(a)	(1,979,343)	(1,868,744)
Other income, net	4	90,560	15,506
Finance costs	5(b)	(18,465)	(13,613)
Profit before taxation		38,764	142,360
Income tax credit	7	6,557	69,844
Profit for the year		45,321	212,204
Earnings per share	9		
Basic		HK\$0.05	HK\$0.23
Diluted		HK\$0.05	HK\$0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Year ended 31 December 2023	Year ended 31 December 2022
	<i>Note</i> HK\$'000	HK\$'000
Profit for the year	45,321	212,204
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)	2,837	(6,851)
Remeasurement of defined benefit plan obligations	(917)	–
	1,920	(6,851)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of overseas subsidiaries	(1,135)	587
Debt securities measured at fair value through other comprehensive income		
– net movement in fair value reserve (recycling)	(1,065)	(8,539)
	(2,200)	(7,952)
Other comprehensive income for the year	(280)	(14,803)
Total comprehensive income for the year	45,041	197,401

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in Hong Kong dollars)

		Year ended 31 December 2023	Year ended 31 December 2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,970,085	1,971,551
Intangible assets		135,226	103,209
Long-term receivables, deposits and prepayments		63,167	147,194
Other financial assets	10	201,060	292,791
Deferred tax assets		89,005	81,252
		<u>2,458,543</u>	<u>2,595,997</u>
Current assets			
Other receivables, deposits and prepayments		128,515	121,175
Inventories and other contract costs		140,418	144,791
Other current financial assets	10	160,712	51,742
Time deposits		243,028	–
Cash and cash equivalents		330,565	705,807
		<u>1,003,238</u>	<u>1,023,515</u>
Current liabilities			
Accounts payable	11	382,760	354,627
Other payables and accrued charges	11	446,926	443,665
Deposits received		5,757	5,757
Tax payable		3	611
Lease liabilities		151,351	164,098
		<u>986,797</u>	<u>968,758</u>
Net current assets		<u>16,441</u>	<u>54,757</u>
Total assets less current liabilities		<u>2,474,984</u>	<u>2,650,754</u>

		Year ended 31 December 2023	Year ended 31 December 2022
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		1,709	1,566
Other payables and accrued charges	<i>11</i>	6,479	–
Lease liabilities		321,448	440,395
		<u>329,636</u>	<u>441,961</u>
NET ASSETS		<u>2,145,348</u>	<u>2,208,793</u>
CAPITAL AND RESERVES			
	<i>12</i>		
Share capital		1,805,004	1,800,972
Reserves		340,344	407,821
TOTAL EQUITY		<u>2,145,348</u>	<u>2,208,793</u>

Notes:

1 BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2023 and 31 December 2022 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 2022 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 2023 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**") 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 the following new and amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will come into effect from 1 May 2025 (the “**Transition Date**”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“**MPF**”) scheme to reduce the long service payment (“**LSP**”) in respect of an employee's service from the Transition Date (the abolition of the “**offsetting mechanism**”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published *Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong* that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. This change in accounting policy did not have any material impact on the opening balance of equity at 1 January 2022 and 2023, and the cash flows and earnings per share amounts for the years ended 31 December 2022 and 2023. It also did not have a material impact on the company level statement of financial position as at 31 December 2022 and 2023.

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 new ventures and technology solution business (“New Ventures and Technology business”). Further details regarding the Group’s principal activities are disclosed in note 2(b).

(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 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by nature		
– Direct merchandise sales	2,392,982	2,425,620
– Income from concessionaire sales and other service income	1,268,187	1,265,444
– Multimedia advertising income and licensing of programme rights	150,537	131,630
– Technology business income	–	5,357
	<u>3,811,706</u>	<u>3,828,051</u>
Disaggregated by timing of revenue recognition		
– Point in time	3,584,571	3,619,126
– Over time	227,135	208,925
	<u>3,811,706</u>	<u>3,828,051</u>

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

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. During the year ended 31 December 2023, management changed the compositions of the segments in view of more diversified businesses the Group currently operates.

Accordingly, the Group has two reporting segments as follows:

- Hong Kong Ecommerce business: The Group's Ecommerce business segment derives revenue from the end-to-end online shopping mall operation (including fulfillment and logistics), 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.
- New Ventures and Technology business: The Group's New Ventures and Technology business segment mainly derives revenue from (1) new venture projects performing research and development activities on technologies, and operating business by adopting the technologies globally; and (2) providing technology solution to the Group's Ecommerce business segment or external customer to operate online shopping operation.

The comparative information is also restated to conform with the current period'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 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 income tax expense/(credit), depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use), amortisation of intangible assets and amortisation of other contract costs and deduct investment returns.

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

For the year ended 31 December	Hong Kong Ecommerce business		New Ventures and Technology business		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
Disaggregated by timing of revenue recognition						
Point in time	3,571,827	3,619,126	12,744	–	3,584,571	3,619,126
Over time	227,135	203,568	–	5,357	227,135	208,925
Revenue from external customers	3,798,962	3,822,694	12,744	5,357	3,811,706	3,828,051
Inter-segment revenue	–	–	124,952	124,874	124,952	124,874
Reportable segment revenue	3,798,962	3,822,694	137,696	130,231	3,936,658	3,952,925
Reportable segment profit/(loss) (EBITDA/(EBITDA loss))	227,856	343,610	(89,408)	(29,802)	138,448	313,808
Reportable segment profit/(loss) (adjusted EBITDA/(adjusted EBITDA loss))	223,566	335,346	(93,394)	(14,794)	130,172	320,552
Interest income	513	24	12	8	525	32
Write-off of receivables and other contract costs, net	–	(2,712)	–	(13,583)	–	(16,295)
Inter-segment finance costs	(7,211)	(5,385)	–	–	(7,211)	(5,385)
Depreciation and amortisation for the year (excluded depreciation on other properties leased for own use)	(105,340)	(109,448)	(15,540)	(8,808)	(120,880)	(118,256)
As at 31 December						
Reportable segment assets	2,273,640	2,267,460	298,062	207,707	2,571,702	2,475,167
<i>Additions to non-current segment assets during the year</i>	268,002	479,710	81,684	102,760	349,686	582,470
Reportable segment liabilities	1,314,582	1,442,867	219,983	85,170	1,534,565	1,528,037

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

	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
Revenue		
Reportable segment revenue	3,936,658	3,952,925
Elimination of inter-segment revenue	<u>(124,952)</u>	<u>(124,874)</u>
Revenue (note 3(a))	<u>3,811,706</u>	<u>3,828,051</u>
	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000 (restated)
Profit		
Reportable segment profit (EBITDA)	138,448	313,808
Income tax credit	7,352	70,203
Interest income	525	32
Depreciation – on property, plant and equipment (excluded depreciation on other properties leased for own use)	(109,862)	(113,249)
Amortisation of intangible assets	(11,018)	(4,204)
Amortisation of other contract costs	–	(803)
Unallocated head office, corporate and other net income/(expense)	<u>19,876</u>	<u>(53,583)</u>
Profit for the year	<u>45,321</u>	<u>212,204</u>

(iii) *Reconciliation of reportable segment assets*

	31 December 2023 HK\$'000	31 December 2022 HK\$'000 (restated)
Reportable segment assets	2,571,702	2,475,167
Elimination of inter-segment receivables	(251,885)	(170,990)
Unallocated head office and corporate assets and others (included inter-segment loan and investments in financial assets)	<u>1,141,964</u>	<u>1,315,335</u>
Consolidated total assets	<u>3,461,781</u>	<u>3,619,512</u>

(iv) *Reconciliation of reportable segment liabilities*

	31 December 2023 HK\$'000	31 December 2022 HK\$'000 (restated)
Reportable segment liabilities (included inter-segment loan)	1,534,565	1,528,037
Elimination of inter-segment payables	(251,885)	(170,990)
Unallocated head office and corporate liabilities	33,753	53,672
	<hr/>	<hr/>
Consolidated total liabilities	<u>1,316,433</u>	<u>1,410,719</u>

(v) *Geographic segment information*

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

4 OTHER INCOME/(EXPENSE), NET

	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
Bank interest income	19,846	2,140
Dividend and investment income from other financial assets	6,280	6,076
Interest income from other financial assets	16,648	13,955
Unrealised fair value losses on units in investment funds measured at FVPL	(772)	(13,263)
Reversal/(provision) of expected credit losses on debt securities measured at FVOCI	214	(42,247)
Rentals from investment properties	23,774	23,774
Net exchange gain/(loss)	4,364	(6,018)
Government subsidies (<i>note (i)</i>)	21	18,728
Gain on unwinding the discounting effect of rental deposits	3,471	–
Others	16,714	12,361
	<hr/>	<hr/>
	<u>90,560</u>	<u>15,506</u>

Note:

- (i) In 2022, the Group successfully applied for funding support which were mainly from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their Talents. Under the terms of the grant, the Group is required to maintain the number of subsidised headcounts during the subsidy period and to spend all the funding on paying wages to the Talents. Certain funding was received during the year ended 31 December 2023.

5 PROFIT BEFORE TAXATION

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

	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
(a) Other operating expenses		
Depreciation		
– owned property, plant and equipment	87,653	91,577
– right-of-use assets	197,462	179,728
Advertising and marketing expenses (excluding HK\$49,993,000 (2022: HK\$40,511,000) being deducted in turnover)	163,845	108,068
Auditor's remuneration	3,451	3,050
Loss/(gain) on disposal of property, plant and equipment	137	(815)
Write-down and write-off of inventories	30,293	20,957
Talent costs (<i>note 5(c)</i>)	872,017	842,688
Amortisation of intangible assets	15,135	12,043
Amortisation of other contract costs – New Ventures and Technology business	–	803
Total outgoings of investment properties	1,676	1,605
Outsourced fulfilment expenses	294,769	270,597
Payment processing charges	92,562	92,593
Owned motor vehicles running expenses	45,676	44,762
Software licenses and registration fee	23,538	26,833
Utilities, consumables and office expenses	59,606	53,430
Write-off of receivables and other contract costs, net	–	16,295
Others	91,523	104,530
	<u>1,979,343</u>	<u>1,868,744</u>
(b) Finance costs		
Interest on lease liabilities	17,771	13,122
Bank charges	694	491
	<u>18,465</u>	<u>13,613</u>
(c) Talent costs		
Wages and salaries	887,770	852,896
Retirement benefit costs – defined contribution plans	32,991	31,879
Equity-settled share-based payment expenses	(1,117)	2,189
Less: Talent costs capitalised as intangible assets and other contract costs	<u>(47,627)</u>	<u>(44,276)</u>
Talent costs included in other operating expenses	<u>872,017</u>	<u>842,688</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

	2023			2022		
	Before-tax amount <i>HK\$'000</i>	Tax expense <i>HK\$'000</i>	Net-of-tax amount <i>HK\$'000</i>	Before-tax amount <i>HK\$'000</i>	Tax expense <i>HK\$'000</i>	Net-of-tax amount <i>HK\$'000</i>
Equity instruments designated at FVOCI						
– net movement in fair value reserve (non-recycling)	2,837	–	2,837	(6,851)	–	(6,851)
Remeasurement of defined benefit plan obligations	(917)	–	(917)	–	–	–
Exchange difference on translation of financial statements of overseas subsidiaries	(1,135)	–	(1,135)	587	–	587
Debt securities measured at FVOCI						
– net movement in fair value reserve (recycling)	(1,065)	–	(1,065)	(8,539)	–	(8,539)
Other comprehensive income	<u>(280)</u>	<u>–</u>	<u>(280)</u>	<u>(14,803)</u>	<u>–</u>	<u>(14,803)</u>

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

	Year ended 31 December 2023 <i>HK\$'000</i>	Year ended 31 December 2022 <i>HK\$'000</i>
Equity instruments designated at FVOCI – net movement in fair value reserve (non-recycling):		
– Changes in fair value recognised during the year	<u>2,837</u>	<u>(6,851)</u>
Debt securities measured at FVOCI – net movement in fair value reserve (recycling):		
– Changes in fair value recognised during the year	(851)	(50,786)
– Reclassified to profit or loss for (reversal)/provision of expected credit losses	<u>(214)</u>	<u>42,247</u>
	<u>(1,065)</u>	<u>(8,539)</u>

7 INCOME TAX CREDIT

The provision for Hong Kong Profits Tax for the year ended 31 December 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Taxation for overseas branch of a subsidiary is calculated at 20% (2022: 20%) of the estimated assessable profits for the year. The amount of income tax credit in the consolidated income statement represents:

	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
Current taxation		
Hong Kong Profits Tax	12	222
Overseas	1,041	1,059
Deferred taxation		
Origination and reversal of temporary differences	<u>(7,610)</u>	<u>(71,125)</u>
	<u>(6,557)</u>	<u>(69,844)</u>

8 DIVIDENDS

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

	Year ended 31 December 2023 HK\$'000	Year ended 31 December 2022 HK\$'000
No interim dividend declared and paid during the year (2022: HK8 cents per share)	<u>–</u>	<u>73,759</u>

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2023 (31 December 2022: nil).

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 2023 of HK\$45,321,000 (31 December 2022: HK\$212,204,000) and the weighted average of 917,883,000 ordinary shares (31 December 2022: 921,241,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December 2023 '000	Year ended 31 December 2022 '000
Issued ordinary shares at 1 January	923,090	917,007
Effect of share options exercised	657	4,234
Effect of shares repurchased and cancelled	<u>(5,864)</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u><u>917,883</u></u>	<u><u>921,241</u></u>

The calculation of diluted earnings per share for the year ended 31 December 2023 is based on the profit attributable to equity shareholders of the Company for the year of HK\$45,321,000 (31 December 2022: HK\$212,204,000) and the weighted average number of ordinary shares of 935,322,000 (31 December 2022: 947,786,000), 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 2023 '000	Year ended 31 December 2022 '000
Weighted average number of ordinary shares at 31 December	917,883	921,241
Effect of deemed issue of shares under the Company's share option scheme	<u>17,439</u>	<u>26,545</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>935,322</u></u>	<u><u>947,786</u></u>

10 OTHER FINANCIAL ASSETS

	31 December 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Equity instruments designated at FVOCI (non-recycling)		
– Equity securities	22,930	21,620
– Perpetual bonds	<u>64,492</u>	<u>59,480</u>
	----- 87,422	----- 81,100
Debt securities measured at FVOCI (recycling)		
– Maturity dates within 1 year	160,712	51,742
– Maturity dates over 1 year	<u>65,356</u>	<u>162,790</u>
	----- 226,068	----- 214,532
Units in investment funds measured at FVPL	----- 48,282	----- 48,901
	<u><u>361,772</u></u>	<u><u>344,533</u></u>
Representing		
– Non-current portion	201,060	292,791
– Current portion	<u>160,712</u>	<u>51,742</u>
	<u><u>361,772</u></u>	<u><u>344,533</u></u>

All of these financial assets were carried at fair value as at 31 December 2023 and 2022.

11 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	31 December 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Accounts payable (<i>note (a)</i>)	----- 382,760	----- 354,627
Contract liabilities	259,392	245,797
Other payables and accrued charges (<i>note (b)</i>)	<u>187,534</u>	<u>197,868</u>
	----- 446,926	----- 443,665
	829,686	798,292
Non-current other payables and accrued charges (<i>note (b)</i>)	----- 6,479	----- –
	<u><u>836,165</u></u>	<u><u>798,292</u></u>

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

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Current–30 days	369,977	340,717
31–60 days	2,926	6,045
61–90 days	1,147	2,170
Over 90 days	8,710	5,695
	382,760	354,627

(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										Total equity HK\$'000
	Share capital	Retained profits	Revaluation reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Exchange reserve	Capital reserve	Other reserve	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2022	1,774,173	64,967	183,338	(2,345)	(3,935)	2	47,409	(1,826)	2,061,783	(515)	2,061,268
Changes in equity for 2022:											
Profit for the year	-	212,204	-	-	-	-	-	-	212,204	-	212,204
Other comprehensive income	6	-	-	(8,539)	(6,851)	587	-	-	(14,803)	-	(14,803)
Total comprehensive income	-	212,204	-	(8,539)	(6,851)	587	-	-	197,401	-	197,401
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits	-	(35)	-	-	35	-	-	-	-	-	-
Shares issued under share option scheme	26,799	-	-	-	-	-	(5,105)	-	21,694	-	21,694
Equity settled share-based transactions	-	-	-	-	-	-	2,189	-	2,189	-	2,189
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(515)	(515)	515	-
Dividend paid	-	(73,759)	-	-	-	-	-	-	(73,759)	-	(73,759)
Balance at 31 December 2022 and 1 January 2023	1,800,972	203,377	183,338	(10,884)	(10,751)	589	44,493	(2,341)	2,208,793	-	2,208,793
Changes in equity for 2023:											
Profit for the year	-	45,321	-	-	-	-	-	-	45,321	-	45,321
Other comprehensive income	6	-	-	(1,065)	2,837	(1,135)	-	(917)	(280)	-	(280)
Total comprehensive income	-	45,321	-	(1,065)	2,837	(1,135)	-	(917)	45,041	-	45,041
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits	-	184	-	-	(184)	-	-	-	-	-	-
Shares issued under share option scheme	4,032	-	-	-	-	-	(763)	-	3,269	-	3,269
Equity settled share-based transactions	-	-	-	-	-	-	(1,117)	-	(1,117)	-	(1,117)
Shares repurchased and cancelled	-	(110,638)	-	-	-	-	-	-	(110,638)	-	(110,638)
Balance at 31 December 2023	1,805,004	138,244	183,338	(11,949)	(8,098)	(546)	42,613	(3,258)	2,145,348	-	2,145,348

TALENT REMUNERATION

Including the Directors, as at 31 December 2023, the Company had 2,214 permanent full-time Talents versus 2,186 as at 31 December 2022. 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 the share schemes.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, the Company repurchased a total of 35,449,000 shares of the Company ("Shares") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for an aggregate consideration of approximately HK\$110.2 million before expenses. The repurchased Shares were subsequently cancelled.

The Board is of the view that the repurchase is in the best interests of the Company and the shareholders as a whole. The repurchase demonstrates the Company's confidence in its potential growth and long-term business prospects and should, ultimately, benefit the Company and enhance overall shareholder's return. Details of the Shares repurchased are as follows:

Month of purchase in 2023	No. of Shares purchased	Purchase consideration per Share		Aggregate Consideration (before expenses) paid HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
July	1,266,000	4.49	4.45	5,677,870
August	2,658,000	3.48	3.43	9,212,510
September	22,866,000	3.28	2.91	72,682,560
October	2,928,000	2.95	2.73	8,333,580
November	1,116,000	2.58	2.47	2,820,490
December	4,615,000	2.56	2.39	11,475,160
Total:	<u>35,449,000</u>			<u>110,202,170</u>

Save as disclosed above, 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 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2023, the Company complied with all the applicable code provisions as set out in the Corporate Governance Code (“**CG Code**”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), except as listed below which was then subsequently complied with starting 1 January 2024 with the appointment of Mr. Ann Yu Chiu Andy as an additional independent non-executive director (“**INED**”) effective from the same day.

CG Code provision B.2.4(b)

Pursuant to CG Code provision B.2.4(b), if all the INEDs of an issuer have served on the board of the issuer for more than nine years, the issuer should appoint a new INED for the financial year commencing on or after 1 January 2023.

The Company did not comply with this code provision during the year based upon the following reasons:

(1) *The existing INEDs remain independent*

They have satisfied the criteria of independence as set out in the Listing Rules:

- (i) they are not employees of the Company, of its holding company or of any of their respective subsidiaries or of any core connected persons of the Company immediately prior to their appointment date of INED;
- (ii) they are not connected with a director, the chief executive or a substantial shareholder of the Company at any time;
- (iii) they do not hold any share of the Company;
- (iv) they have not received any interest in any securities of the Company as a gift, or by means of other financial assistance, from a core connected person or the Company itself; and
- (v) they have no equity-based remunerations.

(2) *The existing board governance continues to be effective*

The existing Board composition is sufficient to maintain a balanced and effective board governance.

Retaining the existing board composition provide continuity and stability to the Board and the Company.

The existing INEDs possess the necessary skills, knowledge and experience which allow them to contribute extensive valuable insights and expertise to the Board.

(3) *Appoint only the right candidate*

Given the disruptive and fast-paced business nature of the Group, the Company always take great care in selecting the right candidate to complement the existing Board members. The Company maintains an ongoing process to identify and evaluate qualified candidates who will provide critical skills and experience to further strengthen the Board.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by Directors of the Company (“**Company Code**”).

Having made specific enquiry with the Directors, all of them have confirmed that they have fully complied with the required standard set out in the Model Code and the Company Code throughout the year ended 31 December 2023.

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 2023.

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

FINAL DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: HK8 cents per ordinary share of the Company).

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil) to retain liquidity for future CAPEX plan, new ventures investment and share repurchase program.

ANNUAL GENERAL MEETING (“AGM”)

The AGM will be held on Tuesday, 18 June 2024. 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, 13 June 2024 to Tuesday, 18 June 2024, 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, 12 June 2024.

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

Hong Kong, 27 March 2024

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

Executive Directors:

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

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

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

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

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

Independent Non-executive Directors:

Mr. Lee Hon Ying, John

Mr. Peh Jefferson Tun Lu

Mr. Mak Wing Sum, Alvin

Mr. Ann Yu Chiu Andy