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**Hong Kong Television Network Limited**  
**香港電視網絡有限公司**

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

**(1) PROPOSED CHANGE OF COMPANY NAME**  
**AND**  
**(2) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

**PROPOSED CHANGE OF COMPANY NAME**

The Board proposes to change the English name of the Company from “Hong Kong Television Network Limited” to “Hong Kong Technology Venture Company Limited” and the Chinese name of the Company from “香港電視網絡有限公司” to “香港科技探索有限公司”. The Change of Company Name is subject to the approval by the Shareholders at the AGM and approval by the Companies Registry in Hong Kong.

**2020 OPERATIONAL HIGHLIGHT**

1. GMV on order intake<sup>1</sup> in 2020 of HK\$5,953.7 million, representing 114.2% growth relative to 2019 of HK\$2,779.1 million;
2. Average daily orders increased from 18,700 orders per day in December 2019, to 36,300 orders per day in December 2020, with average order value maintained at about HK\$504 in 2020 and 2019; and
3. During 2020, we had 1,107,000 unique customers who made purchases at HKTVMall, a growth of 34.5% from 823,000 in 2019.

**2020 FINANCIAL HIGHLIGHT**

1. The Group successfully achieved profit turnaround in 2020,
  - a. Net profit amounted to HK\$183.6 million in 2020 versus net loss of HK\$289.9 million in 2019;
  - b. Adjusted EBITDA<sup>2</sup> at HK\$307.0 million in 2020 versus an adjusted EBITDA loss at HK\$216.0 million in 2019;
2. Turnover increased by approximately 103.5% to HK\$2,877.9 million in 2020 versus HK\$1,414.0 million in 2019, including multimedia advertising income and licensing of programme rights of HK\$23.8 million (2019: HK\$10.2 million);
3. Achieved an overall gross profit margin and blended commission rate<sup>3</sup> of 24.6% in 2020 (2019: 21.4%);
4. Additional operating expenses were invested in 2H2020. Apart from completing additional 17.1% GMV on order completion versus 1H2020, the increase was mainly for (1) future growth including customer, repeated purchase and new product categories growth, co-brand credit card acquisition and usage, O2O shop expansion and enlarged technical teams; (2) directors’ discretionary bonus to reward the profitable performance; and (3) short term incremental fulfilment costs due to sudden business growth in Q3 2020.
5. Strong balance sheet with net cash and liquidity position of HK\$1.28 billion.

**2021 BUSINESS TARGETS**

The Board has set the below business targets for the Group in 2021, subject to the development and impact of the COVID-19 pandemic on our business, the local retail market, and local and global economies:

1. GMV on order intake of HK\$6.6 billion to HK\$7.0 billion, representing a year-on-year growth of 11.0% to 17.6%;
2. Multimedia advertising income of approximately HK\$70.0 million;
3. Key operating expenses as a % of GMV on completed orders:
  - a. Fulfilment costs at 11.9%;
  - b. Marketing, promotional and O2O shop operating expenses at 3.8%;
  - c. eCommerce operational and supporting costs at 5.3%.
4. Adjusted EBITDA of HK\$298.0 million to HK\$318.0 million<sup>4</sup>, representing a year-on-year growth of 26.2% to 34.7%.

- <sup>1</sup> Gross Merchandise Value (“GMV”) on order intake represents the total gross sales dollar value for merchandise sold through a particular marketplace over a certain timeframe, before deduction of any discounts offered by the marketplace, rebate used, cancellation and returns of merchandise sold.
- <sup>2</sup> Adjusted EBITDA/(adjusted EBITDA loss) means profit/(loss) for the year plus interest on bank loans (excluded finance costs-interest on lease liabilities), income tax expense/(credit), depreciation of property, plant and equipment (excluded depreciation on other properties leased for own use) and amortisation of intangible assets and deduct investment returns and adjusted by major non-cash items. Adjusted EBITDA profit/(adjusted EBITDA loss) 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/(loss) or cash flows from operations as determined in accordance with HKFRSs. This measure is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definition of this measure may not be comparable to other similarly titled measures used by other companies.
- <sup>3</sup> 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 and other service income.
- <sup>4</sup> After excluding the government subsidies of HK\$70.9 million received in 2020 which is considered as non-recurring income.

## **(1) PROPOSED CHANGE OF COMPANY NAME**

The board of directors (the “Board” or the “Director”) of Hong Kong Television Network Limited (“HKTV” or the “Company”, and together with its subsidiaries, the “Group”) proposes to change the English name of the Company from “Hong Kong Television Network Limited” to “Hong Kong Technology Venture Company Limited” and the Chinese name of the Company from “香港電視網絡有限公司” to “香港科技探索有限公司” (hereinafter referred to as the “Change of Company Name”).

### **Conditions of the Change of Company Name**

The Change of Company Name is subject to satisfaction of the following conditions:

- (i) the passing of the special resolution by the shareholders of the Company (the “Shareholders”) approving the Change of Company Name at the Company’s annual general meeting (the “AGM”); and
- (ii) the Companies Registry in Hong Kong approving the proposed new English and Chinese names of the Company.

Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect from the date on which the certificate of change of name is issued by the Companies Registry in Hong Kong. The Company will carry out the necessary filing procedures with the Companies Registry in Hong Kong.

### **Reasons for the Change of Company Name**

The Board considers that the Change of Company Name could more accurately reflect the principal activities and core direction of future development of the Group, and also provide the Company with a new corporate image and identity. The Board is of the opinion that the Change of Company Name will clearly benefit the Company’s future business development and is in the best interests of the Company and the Shareholders as a whole.

### **Effects of the Change of Company Name**

The Change of Company Name will not affect any rights of the existing holders of the securities of the Company or the Company’s daily business operation and its financial position. All existing certificates of securities in issue bearing the present name of the Company shall, upon the Change of Company Name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for free exchange of the existing share certificates of the Company for new share certificates bearing the Company’s new name. Once the Change of Company Name becomes effective, new share certificates of the Company will be issued in the new name of the Company.

A further announcement regarding, inter alia, the effective date on which trading in the securities of the Company under the new name of the Company on The Stock Exchange of Hong Kong Limited will be made as and when the new name of the Company takes effect.

### **General**

A circular containing, among other things, details of the Change of Company Name and a notice of the AGM will be despatched to the Shareholders as soon as practicable.

## (2) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

### CHAIRMAN'S STATEMENT

Dear Shareholders,

The COVID-19 outbreak has lasted for more than one year. As a result, our lifestyles, habits, social and economic development have all undergone some fundamental changes over the past year. Under the pandemic, we would try to avoid visiting crowded places and switched to outdoor exercises and hiking activities; whereas we might prefer dining out for festivals and gatherings with friends and families, but now we are getting used to ordering takeaways. As of now, we are still uncertain whether the pandemic will last for another half year or a year (or even years). The so-called “New Normal” today will be here to stay after we become accustomed to it, and will not be totally reversed even when the pandemic ceases and society and economy eventually recover.

Some have argued that HKTVmall is being “lucky” and a short term “beneficiary” of the pandemic. I respectfully do not agree. There are many large and small companies from different industries including traditional retailers and supermarket chains, TV stations and telecom operators who have developed eCommerce and established sizable online shopping platforms over the past years, some of whom started their operation even earlier than us. Why then is only HKTVmall being the “lucky” one? Moreover, according to consumer data over the past six years, if a customer shopped for over six times over a period of six months, online purchase will no longer be a “short-term” consumption pattern but acquired as a habit, and hence a long term customer is secured.

We strongly believe that one should always equip oneself, and chance favors those who are well-prepared. The Group has been focusing on developing eCommerce business since February 2015, not least building multiple automated robotic systems, warehouses, logistics centres and delivery fleet. Starting from seven years ago until now, as there is no existing system available globally that is applicable to online shopping mall, HKTVmall, therefore, has to devote its own efforts to develop systems for big data analysis, sales platform and warehouse management, merchant management, delivery route planning, logistics and delivery. All the experiences, knowhow and infrastructures we accumulated over these seven years, have enabled us to grasp and react to the opportunities when they came.

According to the data released by the Census and Statistics Department of the government, the value of total retail sales in 2020 decreased by 24.3%<sup>5</sup> compared with 2019. However, the annual GMV of HKTVmall grew by 114% during the same period. Comparing January 2021 to January 2020 year on year, the value of retail sales of different categories dropped

<sup>5</sup> Sources :  
2019 – <https://www.statistics.gov.hk/pub/B10800032020MM01B0100.pdf>  
2020 – <https://www.statistics.gov.hk/pub/B10800032021MM01B0100.PDF>

continuously; for instance, the value of sales of commodities in supermarkets decreased by 9.0%, wearing apparel decreased by 20.4%, medicines and cosmetics decreased by 40.1%, commodities in department stores decreased by 17.4%, jewellery, watches and valuable gifts decreased by 31.7%. Despite of many unfavorable external factors, the operational indicators of HKTVmall in January 2021 managed to remain at similar levels compared to the previous months.

Although we are unable to predict the economic development and recovery progress of Hong Kong, Asia and globally, with the increasing popularity of online shopping, the Group will adjust the development direction of HKTVmall in accordance with the social economic situation. If economic situation remains weak, HKTVmall will be more focusing on daily necessities such as supermarket products and groceries; otherwise, the development of HKTVmall will be more diversified in order to grasp the opportunities brought by economic recovery.

### **DIVERSIFIED BUSINESS WITH MATURE MANAGEMENT TEAM**

Under the dynamic environment, the Group has evolved into three major business units with respective operations and development targets:

1. Hong Kong TV Shopping Network Company Limited: HKTVmall partnering with more than 4,200 merchants and suppliers, offers over 500,000 products choices, and is now the largest eCommerce platform in Hong Kong;
2. HKTV eCommerce Fulfilment Company Limited & Hong Kong TV Logistics Network Company Limited: An extensive fulfilment and logistics network consists of multiple automated warehouses, fulfilment centres and delivery fleet, supported by big data and sophisticated systems; and
3. Shoalter Technology Limited (“Shoalter”) which offers technology solutions through innovation, robotic systems, cloud platforms, big data, etc., as well as innovative solutions to transform traditional models for retailing and eCommerce taking advantage of our accumulated professional skills, knowhow and experiences. Shoalter expands technology solutions business in local and overseas markets for the Group.

The core management team accountable for business strategies and execution are crucial to the sustainable development of the Group. There are five executive members in the Board. We have made proper re-designation of their roles in November last year so as to lead the Group to a healthy and long term growth.

Ms. Jelly Zhou was re-designated as Chief Executive Officer (Hong Kong) and is responsible for the overall operations of our Hong Kong business. She joined the Group in 2003, and has held numerous positions in telecom, multimedia and eCommerce; prior to the current role, she was responsible for sales & marketing, managing O2O stores and customer services of eCommerce. With her acute sense towards Hong Kong market as well as knowledge and experiences in eCommerce business and operations, we strongly believe that HKTVmall will be taken to the next level under her leadership.

Another executive member is Mr. Kenneth Lau, who joined the Group in 2004 and has also been responsible for different business areas. It is worth mentioning that he was the Chief Operating Officer of the Group primarily responsible for business intelligence, big data, the design, research & development, construction and management of various automated fulfilment and logistics operational systems of the Group. With his in-depth understanding of these systems, he was re-designated as Chief Executive Officer (International Business) to lead the Group to become a technology enabler.

Another executive member of the Board is Ms. Alice Wong, who is the Group Chief Financial Officer and is primarily responsible for finance, treasury, procurement, administration, talent acquisition and management, legal and company secretary. All these functions form a solid protection and foundation of the Group. More importantly, she is also charged with investor engagement that helps to maintain timely and accurate communications with our investors on business updates of the Group.

## **GROUP DEVELOPMENT COUNTS ON TALENTS**

We need to nurture more management Talents for different departments and different seniority as the size and capacity of our management team, instead of market space, will define the development scale of the Group. With the establishment of the successful operational model of HKTVmall, we need more management Talents to sustain and to expand.

## **DESPITE NO FORESEEABLE COMPETITORS, WE ARE FULLY DEVOTED TO DEVELOPING A DIGITAL ECOSYSTEM**

Over the past year, the Group further strengthened HKTVmall's leadership position in Hong Kong's eCommerce market, with stable and satisfactory growth in different indicators including order number, sales turnover, customer loyalty and number of merchant partners. In fact, with the snowball effect that builds momentum between merchants, products and customers, our dominant position in Hong Kong's online retail market has become even more affirmative, making it very difficult for our competitors to surpass.

Over the past months, we gained a more thorough understanding towards our competitors in the Hong Kong's eCommerce market and now we are more confident about the future of HKTVmall. Under the pandemic, "competitors" who wanted to capture market share surged but be they new or existing players, none of them was able to establish foothold for many different reasons. As what we have shared on many different occasions, the success of eCommerce is not just about designing a mobile app and computer system to display merchant goods and launching with different promotions. eCommerce is indeed about the overall customer experience and after-sales delivery service with cost efficiency, that starts with platform design, order processing, logistics, delivery and after-sales services that are closely linked and inseparable. Each of these items is complicated and indispensable.

To traditional supermarkets, the expansion to online shopping not only requires incremental investment on computer systems, talents, warehouses and delivery fleets, but also incurs additional daily operating costs. However, the addition of online shopping as a sales channel is just the transfer of partial offline business to online. That does not necessarily increase its

overall business. While supermarkets are selling daily necessities, the sales turnover will increase with population growth, but not the increase in sales channels. This explains why they are trapped in a dilemma.

There are some other operators who have misunderstood the concept of eCommerce and mistakenly think that eCommerce is merely riding on existing large customer cluster (but their customer cluster is irrelevant to shopping), then build a sizable platform to acquire merchants to display and offer their products for sale; while some other operators have not considered the necessary infrastructures and facilities such as the essential support from logistics centre and last mile delivery fleet. As for traditional retailers and large corporations, they are unable to resolve the conflicts between online and offline sales channels or they do not have senior management and technical professional talents who possess online shopping operation experiences in Hong Kong, as a result of which they lack confidence in the sophisticated online shopping operations. For sure, some conglomerates may have other important and profitable businesses that they do not leap over to eCommerce landscape.

After all, HKTVmall has spent seven years with over two hundred marketing and research talents to try and to learn from mistakes, and to improve operational flow and the systems before we can reach the height today. Based on the above reasons, observations and communications with many companies, we strongly believe that the experiences and established systems over the past seven years for HKTVmall have formed a solid foundation for its unbreakable leading position. The growth for HKTVmall over the coming years will be proportional to the growth in online shopping for Hong Kong consumers, and we will be able to grasp a majority of the market share of Hong Kong's eCommerce consumption market.

The development of fulfilment network and logistics systems that constitute an important part of HKTVmall have reached a mature stage. Apart from handling and delivering customer orders for HKTVmall, we are capable of supporting third party warehouse management and delivery services, which are mainly for the merchant partners of HKTVmall. This support service will not only bring hassle-free support to our merchants so that they can remain focused on merchandizing, digital marketing and sales, but also create stronger bonding and relationship between merchants and HKTVmall with the complementary support from the new functions enabled by our digital ecosystem.

## **REPLICATING SUCCESSFUL EXPERIENCE IN OVERSEAS MARKET**

The fact that the Group managed to bring online shopping business to reach the first turnaround to profit in just five to six years proves that our accumulated experiences and knowhow are sufficient to build a viable business model. Therefore, we will take the Group's business to the next level, from a local eCommerce operator to an eCommerce technology enabler.

The platform of HKTVmall is the entire end-to-end journey for customers who place orders for their purchases, starting with our self-operated logistics centres or thousands of our merchants for pick & pack, followed by our delivery fleet for last mile delivery. The only customer contact point is logistics and delivery, which requires very precise calculation,

logistics and delivery and full support from automated robotic systems with smooth coordination between technology and technical skills. These unique experiences and systems have become important assets of the Group and has fostered the birth of Shoalter.

The origin of the name Shoalter is a combination of the word “Shoal”, meaning a group of small fishes united to fight against giants and external enemies, and the word “alter” carries the meaning of changing the nature of matters. Shoalter, therefore, means the unity of different retailers to change and to search for new direction for the retail industry.

Many years ago when we entered the eCommerce market in Hong Kong, we have shared the purpose of establishing HKTVmall was that we noticed the development of eCommerce in Hong Kong lagged behind neighboring areas and countries. If our retailers remain highly focused on physical retailing with the absence of technological input, the retail industry in Hong Kong will unconsciously lose to overseas online shopping platforms and in the long run, Hong Kong would lose its position as the Shoppers’ Paradise. This decline in retail industry would in turn drag down our overall economy.

Therefore, Shoalter will become a technology enabler to provide its self-developed solutions for “online shopping mall”, to support and promote the development of another two to three large scale online shopping malls in Hong Kong. You may question that this will increase market competition for HKTVmall, and may cannibalize its market share. In fact, apart from the one-time implementation fee, Shoalter will also charge its business partner annual fee and sales turnover based commission fee, and as such, the actual return will be similar for the Group to run its own online shopping mall. We believe that no single online shopping platform can acquire and monopolise the markets across all industries — every retailer would have its preposition to attract customers of different types and age groups, and these new online shopping platform partners will be the leader of their specific segments that will be mutually complementary to HKTVmall’s leading position in online supermarket.

We are making satisfactory progress in this regard: currently, Shoalter has started initial conversation with over ten corporates to introduce our solutions, locally and globally such as Taiwan, Singapore and a few European corporates. However, due to the travel restrictions imposed under the pandemic, the investment and complexity involved in building a large scale online shopping mall, and the change of business model being an important commercial consideration, the liaison process is taking longer than expected.

Furthermore, in December 2020, Shoalter entered into a definitive eCommerce solution agreement with a retail group in Hong Kong. We will provide hardware and software system as a service to the retail group to support the setting up of its online shopping mall, which is expected to be launched in the third or fourth quarter of 2021.

## **HONG KONG TECHNOLOGY VENTURE COMPANY LIMITED**

There is one more important announcement for this year’s annual results announcement.

The Group was renamed from “City Telecom (HK) Limited” into “Hong Kong Television Network Limited” in January 2013, with the abbreviation of HKTV. We believe that we do not have to explain in detail for this name change. The name of the Group was made according to the Group’s overall actual business.

Whereas the business natures differ, “technology DNA” has always remained to be our key success factor, no matter in the past or the future. And no matter in telecom, multimedia or eCommerce, our team has always led changes with technology, to bring innovation and new mindsets to change the rule of game for the industry. Therefore, the Board proposes to rename HKTV from “Hong Kong Television Network Limited” to “Hong Kong Technology Venture Limited”. The change of company name is subject to the approval by the shareholders of a special resolution at the annual general meeting and the approval by the Companies Registry in Hong Kong. The name of “HKTVmall”, that operates an online shopping mall in Hong Kong with high brand value, will remain unchanged.

In the past, we brought ultra high speed optical fibre broadband with technology; nowadays, we change the retail industry with technology. In future, the Group will continue to pay attention to the technology research and development for every aspect that can improve the living quality of human beings (such as the elderlies) and possible investment opportunities, and will make announcement at appropriate timing.

### **DARKNESS WILL NOT LAST FOREVER**

Taking this opportunity, we would like to express our sincere thanks for the trust and support over the past six years from our shareholders and long term investors, who embraced hope towards the Group’s prospects. We would also like to thank the management team and the efforts contributed by every Talent, particularly our frontline Talents with daily customer contact. They empower HKTVmall in offering un-interrupted services to Hong Kong people to meet daily needs over the pandemic period. We also hope that through shopping at HKTVmall, customers can make better use of the limited time in our lives, enjoy the delights in life and improve living quality.

Uncertainties confronting Hong Kong society and global economic prospects are abound. We have to face various changes, challenges and opportunities in our lives, politics and business landscapes. We must remain confident in the future, as darkness will not last forever. There must be an end to the pandemic. Finally, I would like to cite the quote from “A Tale of Two Cities” by Charles Dickens for all to reflect on:

“It was the best of times, it was the worst of times,  
it was the age of wisdom, it was the age of foolishness,  
it was the epoch of belief, it was the epoch of incredulity,  
it was the season of Light, it was the season of Darkness,  
it was the spring of hope, it was the winter of despair,  
we had everything before us, we had nothing before us”

Last but not least, we wish everyone good health and happiness.

**Cheung Chi Kin, Paul**  
*Chairman*

**Wong Wai Kay, Ricky**  
*Vice Chairman*

Hong Kong, 30 March 2021

## RESULTS

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2020.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

(Expressed in Hong Kong dollars)

		Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 HK\$'000
<b>Turnover</b>	3	<u>2,877,884</u>	<u>1,413,958</u>
Direct merchandise sales	3	<u>1,970,326</u>	1,101,005
Cost of inventories		<u>(1,463,465)</u>	<u>(853,258)</u>
		<b>506,861</b>	247,747
Income from concessionaire sales and Other service income	3	<b>883,754</b>	302,770
Multimedia advertising income and licensing of programme rights	3	<b>23,804</b>	10,183
Valuation (losses)/gains on investment properties		<b>(6,050)</b>	750
Other operating expenses	5(a)	<b>(1,330,916)</b>	(893,285)
Other income, net	4	<b>116,880</b>	54,377
Finance costs	5(b)	<u><b>(10,192)</b></u>	<u>(12,509)</u>
<b>Profit/(loss) before taxation</b>		<b>184,141</b>	(289,967)
Income tax (expense)/credit	7	<u><b>(560)</b></u>	<u>54</u>
<b>Profit/(loss) for the year</b>		<u><b>183,581</b></u>	<u>(289,913)</u>
<b>Earnings/(loss) per share</b>	9		
<b>Basic and diluted</b>		<u><b>HK\$0.20</b></u>	<u>HK\$(0.35)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Hong Kong dollars)

		Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 <i>HK\$'000</i>
<b>Profit/(loss) for the year</b>		<b>183,581</b>	(289,913)
<b>Other comprehensive income for the year</b>	6		
<i>Item that will not be reclassified to profit or loss:</i>			
Equity instruments designated at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)		(4,541)	4,173
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of an overseas subsidiary		(84)	(7)
Debt securities measured at fair value through other comprehensive income — net movement in fair value reserve (recycling)		(1,953)	19,389
		(2,037)	19,382
Other comprehensive income for the year		(6,578)	23,555
<b>Total comprehensive income for the year</b>		<b>177,003</b>	(266,358)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in Hong Kong dollars)

		<b>31 December 2020</b>	31 December 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,398,110</b>	1,409,816
Intangible assets		<b>59,686</b>	72,826
Goodwill		<b>897</b>	897
Long-term receivables, deposits and prepayments		<b>28,984</b>	24,658
Other financial assets	<i>10</i>	<b>324,119</b>	472,284
		<b>1,811,796</b>	1,980,481
<b>Current assets</b>			
Other receivables, deposits and prepayments		<b>109,360</b>	90,121
Inventories		<b>126,573</b>	95,763
Other current financial assets	<i>10</i>	<b>18,197</b>	83,268
Pledged bank deposit		<b>–</b>	3,905
Cash and cash equivalents		<b>942,479</b>	149,713
		<b>1,196,609</b>	422,770
<b>Current liabilities</b>			
Accounts payable	<i>11</i>	<b>319,888</b>	168,718
Other payables and accrued charges	<i>11</i>	<b>284,879</b>	177,799
Deposits received		<b>5,757</b>	5,757
Bank loans		<b>–</b>	315,015
Tax payable		<b>758</b>	237
Lease liabilities		<b>94,413</b>	86,358
		<b>705,695</b>	753,884
<b>Net current assets/(liabilities)</b>		<b>490,914</b>	(331,114)
<b>Total assets less current liabilities</b>		<b>2,302,710</b>	1,649,367

	<b>31 December</b>	31 December
	<b>2020</b>	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,227	1,188
Lease liabilities	<u>203,795</u>	<u>196,571</u>
	<u>205,022</u>	<u>197,759</u>
<b>NET ASSETS</b>	<u><u>2,097,688</u></u>	<u><u>1,451,608</u></u>
<b>CAPITAL AND RESERVES</b>	<i>12</i>	
Share capital	1,747,693	1,293,392
Reserves	<u>349,995</u>	<u>158,216</u>
<b>TOTAL EQUITY</b>	<u><u>2,097,688</u></u>	<u><u>1,451,608</u></u>

*Notes:*

**1 BASIS OF PREPARATION**

The financial information relating to the years ended 31 December 2020 and 31 December 2019 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 2019 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 2020 in due course.

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

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

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

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

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

**2 CHANGES IN ACCOUNTING POLICIES**

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

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

### 3 TURNOVER AND SEGMENT INFORMATION

#### Turnover

The Group is principally engaged in the provision of multimedia business, including but not limited to the end-to-end online shopping mall operation, multimedia production and other related services (“Multimedia Business”).

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

	<b>Year ended 31 December 2020 HK\$'000</b>	Year ended 31 December 2019 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by nature		
— Direct merchandise sales	<b>1,970,326</b>	1,101,005
— Income from concessionaire sales and other service income	<b>883,754</b>	302,770
— Multimedia advertising income and licensing of programme rights	<b>23,804</b>	10,183
	<b><u>2,877,884</u></b>	<u>1,413,958</u>
Disaggregated by timing of revenue recognition		
— Point in time	<b>2,830,839</b>	1,405,755
— Over time	<b>47,045</b>	8,203
	<b><u>2,877,884</u></b>	<u>1,413,958</u>

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.

#### Segment information

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

#### 4 OTHER INCOME, NET

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 <i>HK\$'000</i>
Bank interest income	3,249	94
Dividend and investment income from other financial assets	4,705	5,457
Interest income from other financial assets	18,249	30,332
Gain/(loss) on disposal of other financial assets	784	(2,063)
Unrealised fair value (loss)/gain on units in investment funds measured at fair value through profit or loss ("FVPL")	(2,443)	378
Provision of expected credit losses on debt securities measured at fair value through other comprehensive income ("FVOCI")	(4,527)	(671)
Rentals from investment properties	23,774	23,774
Net exchange loss	(1,601)	(4,362)
Government subsidies ( <i>note (i)</i> )	70,859	–
Others	3,831	1,438
	<u>116,880</u>	<u>54,377</u>

- (i) In 2020, the Group successfully applied for funding support which were mainly from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region ("HKSAR"). The purpose of the funding is to provide financial support to enterprises to retain their Talents. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the Talents.

## 5 PROFIT/(LOSS) BEFORE TAXATION

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

	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 HK\$'000
<b>(a) Other operating expenses</b>		
Depreciation		
— owned property, plant and equipment	84,376	64,416
— right-of-use assets	108,315	91,472
Advertising and marketing expenses (excluding HK\$44,189,000 (2019: HK\$27,822,000) being deducted in turnover)	76,099	66,045
Auditor's remuneration	2,496	2,415
Loss on disposal of property, plant and equipment	27	11
Write-down and write-off of inventories	23,383	6,156
Talent costs ( <i>note 5(c)</i> )	634,766	398,788
Amortisation of intangible assets	13,140	14,827
Reversal of provision for onerous contract	—	(144)
Total outgoing of investment properties	1,427	1,427
Outsourced fulfilment expenses	190,366	104,122
Payment processing charges	77,055	40,269
Owned motor vehicles running expenses	28,178	18,997
Software licenses and registration fee	16,588	15,137
Utilities, consumables and office expenses	34,085	25,469
Others	40,615	43,878
	<u>1,330,916</u>	<u>893,285</u>
<b>(b) Finance costs</b>		
Interest on bank loans	1,855	5,139
Interest on lease liabilities	8,071	7,119
Bank charges	266	251
	<u>10,192</u>	<u>12,509</u>
<b>(c) Talent costs</b>		
Wages and salaries	596,603	382,088
Retirement benefit costs — defined contribution plans	23,076	16,580
Equity-settled share-based payment expenses	15,087	120
	<u>634,766</u>	<u>398,788</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 other comprehensive income

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before-tax	Tax	Net-of-tax	Before-tax	Tax	Net-of-tax
	amount	expense	amount	amount	expense	amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity instruments designated at fair value through other comprehensive income ("FVOCI")						
— net movement in fair value reserve (non-recycling)	(4,541)	—	(4,541)	4,173	—	4,173
Exchange difference on translation of financial statements of an overseas subsidiary	(84)	—	(84)	(7)	—	(7)
Debt securities measured at FVOCI						
— net movement in fair value reserve (recycling)	(1,953)	—	(1,953)	19,389	—	19,389
Other comprehensive income	<u>(6,578)</u>	<u>—</u>	<u>(6,578)</u>	<u>23,555</u>	<u>—</u>	<u>23,555</u>

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

	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 HK\$'000
Equity instruments designated at FVOCI — net movement in fair value reserve (non-recycling):		
— Changes in fair value recognised during the year	(4,541)	4,173
Debt securities measured at FVOCI — net movement in fair value reserve (recycling):		
— Changes in fair value recognised during the year	(5,696)	16,505
— Reclassified to profit or loss upon disposal	(784)	2,213
— Reclassified to profit or loss for provision of expected credit loss	4,527	671
	<u>(1,953)</u>	<u>19,389</u>

## 7 INCOME TAX EXPENSE/(CREDIT)

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% for 2020 (2019: 16.5%).

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

	<b>Year ended 31 December 2020 HK\$'000</b>	Year ended 31 December 2019 HK\$'000
<b>Current taxation</b>		
Hong Kong Profits Tax	521	237
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	39	(291)
	<u>560</u>	<u>(54)</u>

## 8 DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 December 2020 (31 December 2019: nil).

## 9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit for the year ended 31 December 2020 of HK\$183,581,000 (31 December 2019: loss of HK\$289,913,000) and the weighted average of 897,733,000 ordinary shares (31 December 2019: 817,584,000 shares) in issue during the year, calculated as follows:

### Weighted average number of ordinary shares

	<b>Year ended 31 December 2020 '000</b>	Year ended 31 December 2019 '000
Issued ordinary shares at 1 January	820,734	814,217
Effect of share options exercised	278	3,367
Effect of new shares issued	76,721	–
Weighted average number of ordinary shares at 31 December	<u>897,733</u>	<u>817,584</u>

The calculation of diluted earnings per share for the year ended 31 December 2020 is based on the profit for the year of HK\$183,581,000 and the weighted average number of ordinary shares of 932,327,000, after adjusting for the effect of dilutive potential ordinary shares under share option scheme during the year.

The diluted loss per share for the year ended 31 December 2019 was the same as the basic loss per share, as the Group's share options would result in an anti-dilutive effect on loss per share.

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

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

**10 OTHER FINANCIAL ASSETS**

	<b>31 December 2020 HK\$'000</b>	31 December 2019 HK\$'000
<b>Equity instruments designated at FVOCI (non-recycling)</b>		
— Equity securities	<b>20,655</b>	24,957
— Perpetual bonds	<b>51,845</b>	62,692
	<hr/>	<hr/>
	<b>72,500</b>	87,649
	<hr/>	<hr/>
<b>Debt securities measured at FVOCI (recycling)</b>		
— Maturity dates within 1 year	<b>18,197</b>	83,268
— Maturity dates over 1 year	<b>182,049</b>	312,069
	<hr/>	<hr/>
	<b>200,246</b>	395,337
	<hr/>	<hr/>
<b>Units in investment funds measured at FVPL</b>	<b>69,570</b>	72,566
	<hr/>	<hr/>
	<b>342,316</b>	555,552
	<hr/>	<hr/>
<b>Representing</b>		
— Non-current portion	<b>324,119</b>	472,284
— Current portion	<b>18,197</b>	83,268
	<hr/>	<hr/>
	<b>342,316</b>	555,552
	<hr/>	<hr/>

All of these financial assets were carried at fair value as at 31 December 2020 and 31 December 2019.

## 11 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	<b>31 December 2020 HK\$'000</b>	31 December 2019 HK\$'000
Accounts payable ( <i>note (a)</i> )	<b>319,888</b>	168,718
Contract liabilities	<b>105,973</b>	49,349
Other payables and accrued charges ( <i>note (b)</i> )	<b>178,906</b>	128,450
	<b>284,879</b>	177,799
	<b>604,767</b>	346,517

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

	<b>31 December 2020 HK\$'000</b>	31 December 2019 HK\$'000
Current–30 days	<b>315,530</b>	160,452
31–60 days	<b>1,240</b>	2,745
61–90 days	<b>760</b>	422
Over 90 days	<b>2,358</b>	5,099
	<b>319,888</b>	168,718

(b) Other payables and accrued charges

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

## 12 CAPITAL AND RESERVES

	Note	Attributable to equity shareholders of the Company								
		Share capital	Retained profits/ (accumulated losses)	Revaluation reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Exchange reserve	Capital reserve	Other reserve	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2019</b>		1,280,191	229,834	183,338	(13,890)	(1,463)	(66)	32,271	(1,826)	1,708,389
<b>Changes in equity for 2019:</b>										
Loss for the year		-	(289,913)	-	-	-	-	-	-	(289,913)
Other comprehensive income	6	-	-	-	19,389	4,173	(7)	-	-	23,555
Total comprehensive income		-	(289,913)	-	19,389	4,173	(7)	-	-	(266,358)
Shares issued under share option scheme		13,201	-	-	-	-	-	(3,744)	-	9,457
Equity-settled share-based transactions	5(c)	-	-	-	-	-	-	120	-	120
Share options forfeited reclassified to retained profits		-	58	-	-	-	-	(58)	-	-
<b>Balance at 31 December 2019 and 1 January 2020</b>		<u>1,293,392</u>	<u>(60,021)</u>	<u>183,338</u>	<u>5,499</u>	<u>2,710</u>	<u>(73)</u>	<u>28,589</u>	<u>(1,826)</u>	<u>1,451,608</u>
<b>Changes in equity for 2020:</b>										
Profit for the year		-	183,581	-	-	-	-	-	-	183,581
Other comprehensive income	6	-	-	-	(1,953)	(4,541)	(84)	-	-	(6,578)
Total comprehensive income		-	183,581	-	(1,953)	(4,541)	(84)	-	-	177,003
Transfer of loss on disposal of equity instruments designated at FVOCI to retained profits		-	(51)	-	-	51	-	-	-	-
Shares issued under share option scheme		1,094	-	-	-	-	-	(311)	-	783
Issuance of new shares		453,207	-	-	-	-	-	-	-	453,207
Equity-settled share-based transactions	5(c)	-	-	-	-	-	-	15,087	-	15,087
Share options cancelled reclassified to retained profits		-	35	-	-	-	-	(35)	-	-
<b>Balance at 31 December 2020</b>		<u>1,747,693</u>	<u>123,544</u>	<u>183,338</u>	<u>3,546</u>	<u>(1,780)</u>	<u>(157)</u>	<u>43,330</u>	<u>(1,826)</u>	<u>2,097,688</u>

## **BUSINESS REVIEW**

### **eCommerce Business Segment — HKTVmall**

2020 is our first year turning from loss to profit in respect of our eCommerce business — HKTVmall. Thanks for everyone’s effort at HKTV who has demonstrated exceptional responsiveness to ensure the continuity of order fulfilment and to at the best effort meet existing and new consumer needs in this rapidly-changing environment.

HKTVmall has achieved HK\$5.95 billion GMV on order intake, an increase by 114.2% versus 2019, and outperformed the revised target of HK\$5.55 billion to HK\$5.75 billion announced on 27 August 2020, which was originally set at HK\$3.38 billion as announced on 9 January 2020. Together with the key operating factors including the successful increment in gross profit margin and blended commission rate to 24.6% (2019: 21.4%), maturing multimedia advertising income of HK\$23.5 million (2019: HK\$8.2 million) and the efficiency gain on logistics and fulfilment operations pushing down the cost ratio to 11.8% of GMV on completed orders (2019: 15.2%), the business turned profitable in 2020.

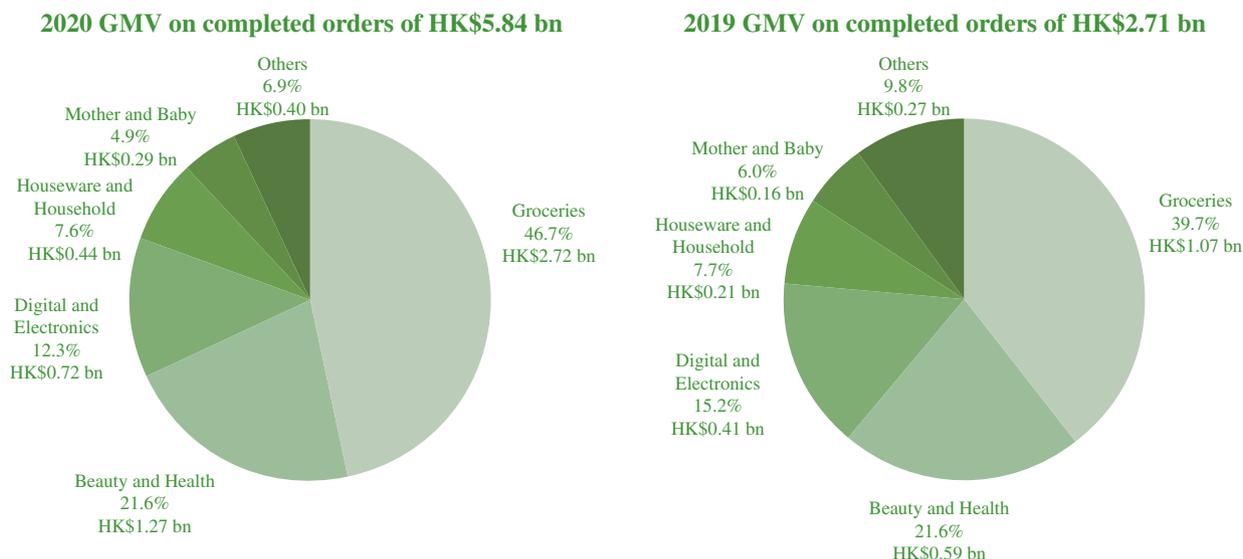
At HKTV, we faced the same COVID-19 pandemic and economic downturn as faced by all other retailers in Hong Kong and in the world. But what made us to stand out from the peers and turned profitable during the year was not because of COVID-19 and our online business nature, it’s our determination and execution in the past 6 years brought us the success and future.

### **Determination to be an online “Landlord”**

#### *1. 1P and 3P hybrid business model for traffic, choices and decentralized efficiency*

We described HKTVmall as an online landlord, an online shopping mall or a digital ecosystem but never as an e-shop nor only a marketplace. As a landlord, we built and own the entire infrastructure for the eCommerce business and we run the anchor supermarket by ourselves, but, we do not run everything internally. Rather, we adopt 1P and 3P business model — on one hand, we purchase inventory from vendors for stable supply of fast-moving groceries and food products (i.e. “1P” or “Direct merchandise sales”), while on the other hand, we partner with third party merchants to set up their own e-store at HKTVmall (i.e. “3P” or “Concessionaire sales”).

Together with products offered by HKTVmall directly and by more than 4,200 merchants and suppliers, HKTVmall are offering more than 500,000 product items in 14 product categories. The GMV on completed orders by product categories mix is as below:



Among the 2020 GMV on completed orders, about 65.5% were attributed by 3P (2019: 58.3%). We consider this hybrid business model is sustainable and profitable as it brings the benefit of traffic, product choices, marketing and fulfillment efficiency from 4,200 partners without compromising the customer service quality at last mile delivery:

- a. HKTVmall manages the 1P business mainly on supermarket and grocery products to drive traffic and repeated purchases, and to enable “delivery-in-one-go” last mile service.
- b. 3P merchant partners bring product varieties and wider product spectrum for all 14 product categories at HKTVmall, drive cross-category traffic from each of their own marketing intelligences, and also enable decentralized warehouse fulfillment process at each of their warehouses.

This mega online store has attracted about 1,107,000 unique customers who shopped at HKTVmall in 2020, a substantial growth from 823,000 unique customers in 2019. The repeated purchase catalyst — supermarket and grocery products together with another 13 product categories have driven the average purchase frequency per customer to increase from 3.76x in Q4 2019 to 4.77x in Q4 2020, and the average main categories purchased per customer also increased from 2.57 in Q4 2019 to 2.91 in Q4 2020.

The data analysis also confirmed our belief — once consumers go online, they won't go back to offline! Online shopping has become a habit with long term customers, such as for those customers who purchased at HKTVmall in 2019 for a certain amount, they will highly likely continue to shop at HKTVmall.

Spending Level in 2019	Retention Rate in 2020*
HK\$5,000 or above	94%
HK\$8,000 or above	96%
>HK\$10,000	98%

\* Retention Rate refers to % of the customers who made purchases in 2019 with a certain amount and continued to purchase in 2020.

## 2. *Stabilised gross profit margin and blended commission rate*

After running for 6 years, the continued growth in online groceries demand has brought us a stable gross profit margin on direct merchandise sales, and the new standardized merchant categorical commission and annual fee scheme introduced on 1 January 2020 have also successfully increased the blended commission rate. In 2020, the gross profit margin and blended commission rate reached 24.6%, an increase by 3.2% compared to 2019.

If including multimedia advertising income and other programme license income, the gross contribution margin from Multimedia Business is 25.0% (2019: 21.7%).

## GROSS PROFIT MARGIN AND BLENDED COMMISSION RATE

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

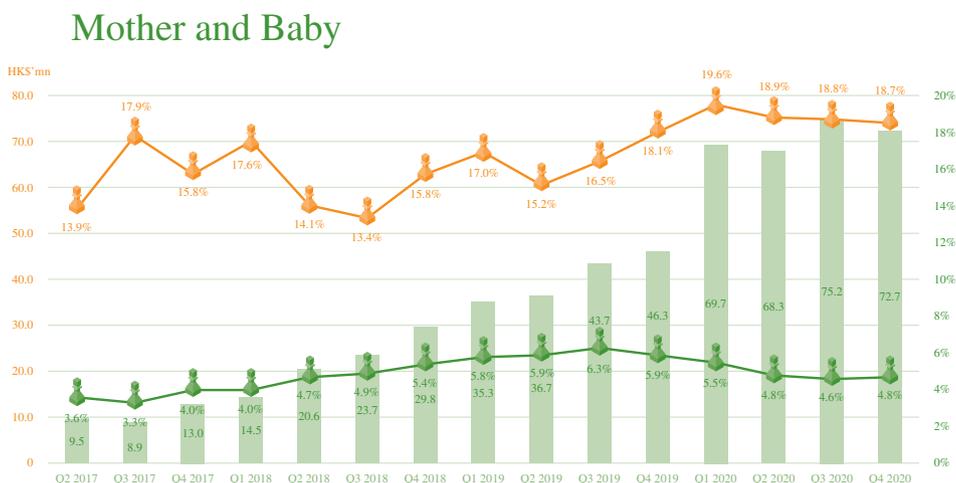
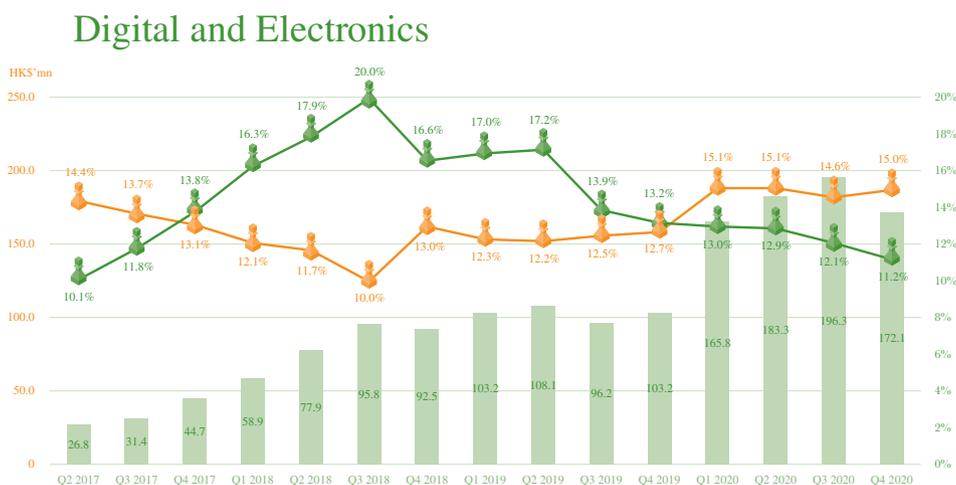
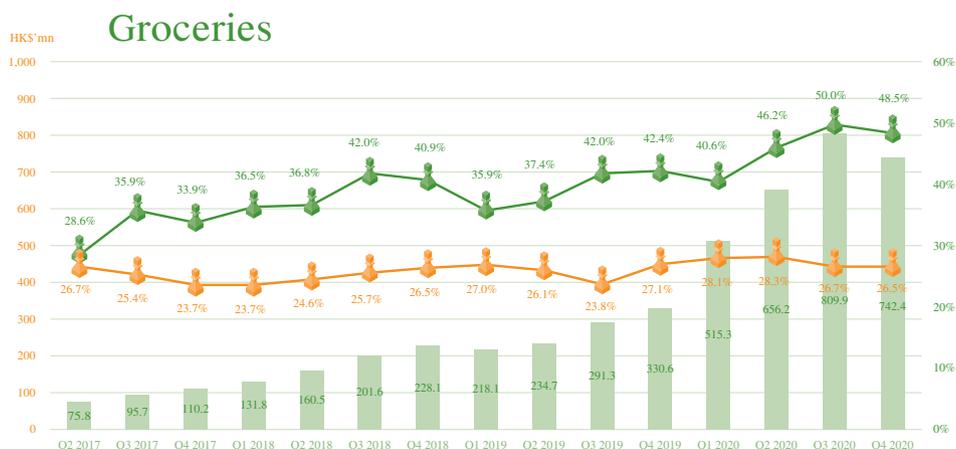
	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>On completed orders and on adjusted basis<sup>6</sup></b>		
<b>Direct merchandise sales</b>		
GMV on completed orders <sup>6, 7</sup>	2,015,536	1,129,506
Cost of inventories	<u>(1,463,465)</u>	<u>(853,258)</u>
Gross profit	552,071	276,248
Gross profit margin	<u>27.4%</u>	<u>24.5%</u>
<b>Income from concessionaire sales and other service income</b>		
GMV on completed orders <sup>6</sup>	3,822,604	1,578,310
Merchant payments (net off by other service income)	<u>(2,939,871)</u>	<u>(1,276,219)</u>
Income from concessionaire sales and other service income <sup>8</sup>	882,733	302,091
Blended commission rate	<u>23.1%</u>	<u>19.1%</u>
<b>Total GMV on completed orders<sup>6</sup></b>	<b>5,838,140</b>	<b>2,707,816</b>
<b>Total gross profit and income from concessionaire sales and other service income<sup>7, 8</sup></b>	<b>1,434,804</b>	<b>578,339</b>
<b>Total gross profit margin and blended commission rate</b>	<b><u>24.6%</u></b>	<b><u>21.4%</u></b>
<b>Multimedia advertising income and licensing of programme rights</b>		
Multimedia advertising income	23,518	8,203
Other programme license	<u>286</u>	<u>1,980</u>
	<u>23,804</u>	<u>10,183</u>
<b>Gross Contribution from Multimedia Business</b>	<b><u>1,458,608</u></b>	<b><u>588,522</u></b>
<b>Gross contribution margin</b>	<b><u>25.0%</u></b>	<b><u>21.7%</u></b>

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

<sup>7</sup> For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVmall dollars of HK\$19,490,000 (2019: HK\$4,743,000) and use of promotional coupon of HK\$25,720,000 (2019: HK\$23,758,000).

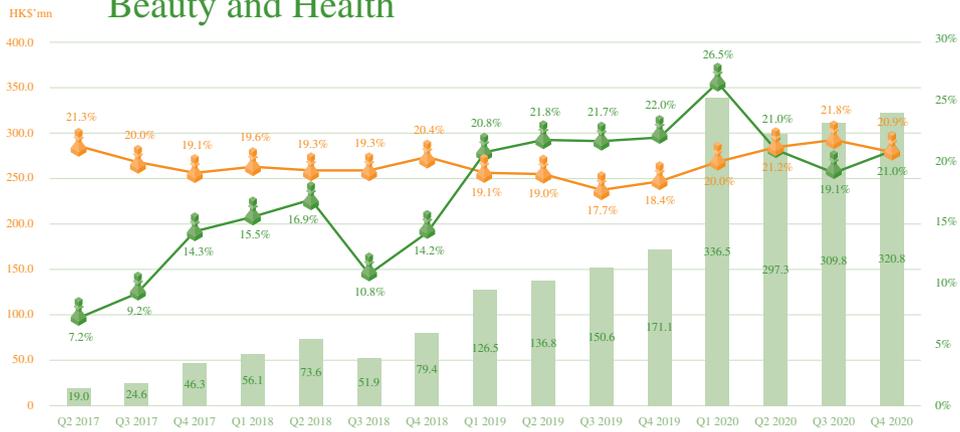
<sup>8</sup> For income from concessionaire sales and other service income, it is before the addition of net HKTVmall dollars of HK\$1,021,000 (2019: HK\$679,000) and included merchant annual fee amortisation and other service income.

On product category basis, the gross profit margin and blended commission rate is also on an overall uptrend in 2020 comparing with 2019 as below:

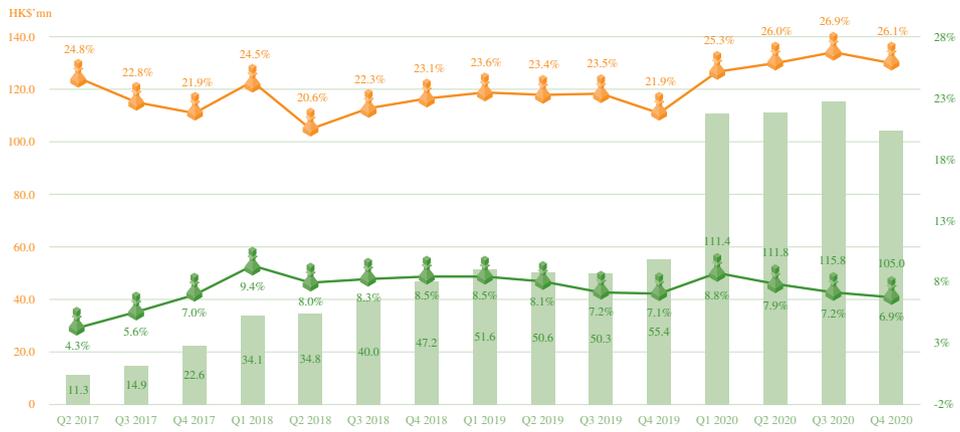


- Quarterly GMV on completed orders (HK\$ million)
- Quarterly Proportion GMV on completed orders
- Quarterly gross profit margin and blended commission rate

## Beauty and Health



## Houseware and Household



## Others



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

### 3. *Rising multimedia advertising revenue stream*

The landlord business model has also opened up a new multimedia revenue stream to HKTVmall. In the past 6 years, we successfully converted 4,200 merchants and suppliers to become online retailers at HKTVmall.

In 2020, we started to open up certain multimedia advertising spaces and formats at HKTVmall platform and included advertising credit in annual store fee to push and educate merchants to use data to drive sales.

In 2020, we have earned HK\$23.5 million multimedia advertising income and even more excitedly, we are going to harvest more in 2021. As an early bird offer for the 2021 multimedia advertising plan launched since October 2020, we have already received advertising fee commitment of more than HK\$50 million. This high margin new revenue stream is indeed a rising star to the eCommerce profitability.

With the initial launch at Facebook in July 2020, merchants, brand owners and suppliers can promote and introduce their products through live shopping channel. With HKTVmall's extensive media production experience, and full range of top tier production hardware and studios, HKTVmall can provide an end-to-end multimedia production and live advertising service to our merchants, brand owners and suppliers to push for their product sales. The live advertising channel is aided by digital advertisement in different formats at HKTVmall platform. Since January 2021, the live channel is also available in HKTVmall app so that the users can “watch” and “shop” at the same time.

### 4. *New marketing initiatives to expand customer portfolio*

During 2020, apart from driving for repeated purchases and to buy more product categories, various marketing initiatives were launched to expand the customer portfolio, among all these, the below three programs were launched in 2H2020 in response to the structural change of online grocery customer behaviour and the preparation for future eWallet and O2O customer journey intergration:

- a. “Weekend Wet Market” program for offline to online consumer conversion on “fresh and chilled products”. The result was encouraging — 2H2020 GMV on order intake for this product category was 18x higher than 1H2020;
- b. Enhanced HKTVmall Lite App launched — about 50,000 HKTVmall Senior Club members were recruited to extend the online clientele to beyond the age of 60;
- c. Citi HKTVmall co-brand credit card — use of VIP day discount code and HKTVmall Mall Dollar to push for cardholder acquisition and usage, which is an important piece of puzzle preparing for offline-online data integration through HKTVpay.

## Execution to manage operating cost efficiency and fulfilment options

Fulfilment costs is the major cost item in eCommerce operation. Running an online hybrid business model is complicated and costly if not adopting the right strategy. At HKTVmall, leveraging on merchants' own warehouse resources for inventory holding and order picking and packing capacity is one way to increase the in-house fulfilment efficiency. Another critical determination factor is the use of automation and robotic system to drive for efficiency gain.

Since 2017, we started to plan for fulfilment automation and after a few years' implementation, we have substantially reduced the reliance on manual process in particular on routine tasks and also increased the fulfilment capacity to cope with business growth. This forward-looking decision back in 2017 brings us the capability to turn the risk from COVID-19 into business opportunity. Below is a summary on the current state with improvement achieved through various robotic systems:

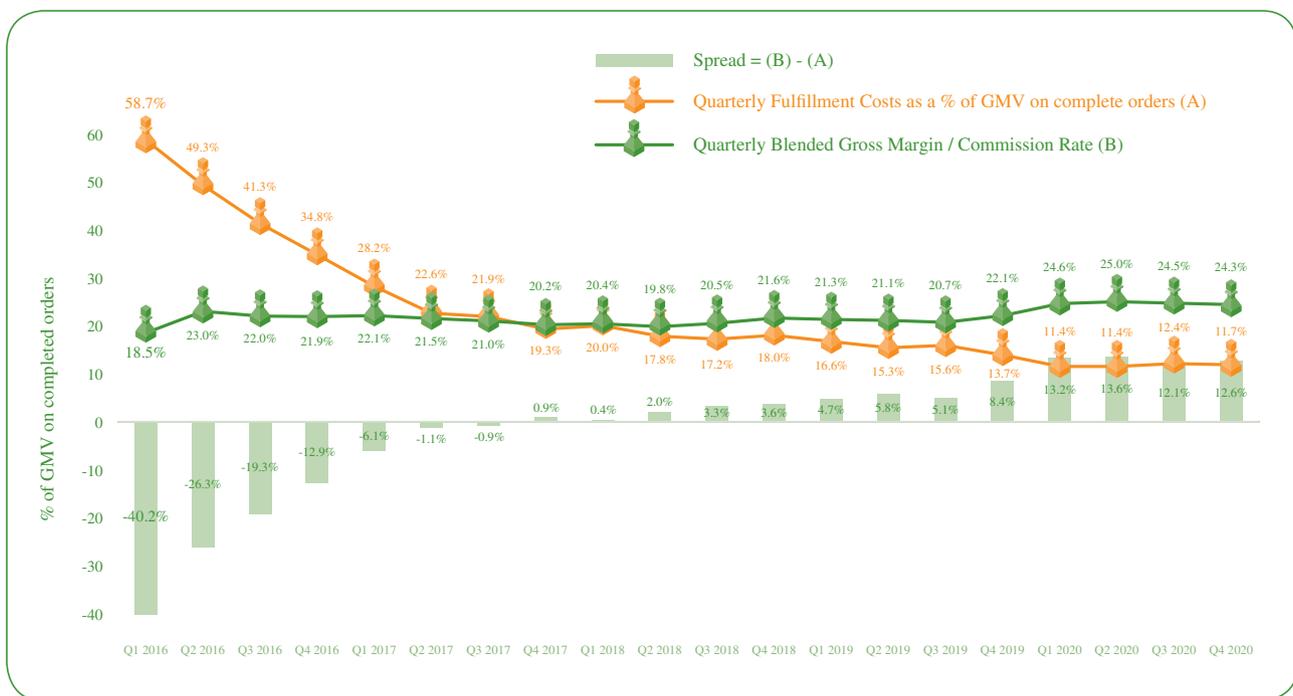


In the past few years, we were in full force in driving a cost-efficient fulfilment capacity through automation for a scalable and profitable business model at HKTVmall. On an overall basis, the quarterly fulfilment costs as a % of GMV on completed orders decreased consistently as a result of automation and economy of scale gained from order growth.

However, the cost % for Q3 2020 has increased to around 12.4% mainly due to the combined effect from sudden surge in GMV on order intake by 44% in July 2020 versus June 2020 and the shortfall in frontline manpower due to the Group's home quarantine policy for Talents and customers' protection. The quick ramp up of additional last mile fulfilment resources, special frontline allowance for COVID-19 and the inventory write off due to unavoidable cancellation for prolonged orders have added incremental costs to operation. But the situation was improved and resumed to normal state during Q4 2020 and the cost % for Q4 2020 decreased to 11.7%.

<sup>9</sup> Various systems launched during March 2018 to March 2019.

<sup>10</sup> Launched since February 2020.



Remark: Quarterly fulfillment costs as a % of GMV on completed orders for 2019 and 2020 are adjusted to exclude interest on lease liabilities of HK\$5.9mn (2019: HK\$4.8mn) arising from the adoption of HKFRS 16 since 2019.

Other than cost efficiency, during the year, HKTVmall has expanded its fulfilment capacity and options including setting up a small new distribution centre in Cheung Sha Wan in July 2020 mainly for frozen order transit purpose. Moreover, we continued to expand customer order pick up points by expanding HKTVmall O2O shop network, third-party merchant partners and e-locker service, which as of now, already cover 130+ pick up points among different districts in Hong Kong. Our quarterly last mile fulfilment ratio (include HKTVmall delivery and shop pick up only) on order intake remained stable at 98.6% in Q4 2020 versus 98.4% in Q4 2019.

### Solution Segment — Shoalter

Further to the Group’s 2020 interim results announcement on 27 August 2020, a new business segment was set up to extend our role from digital ecosystem operator to technology enabler. This new business is operated under the brand of “Shoalter” aiming to use our eCommerce technology to change the retail landscape, to enable traditional supermarkets or retailers locally and globally to enter into digital retailing successfully.

In particular on the local market, to accelerate Hong Kong’s retail digitalization so as to enrich the online choices for local consumers and to redirect the overseas platform business back to Hong Kong local retail market, Shoalter targets to offer its self-developed and integrated end-to-end eCommerce solution to support and enable the development of 2–3 more online shopping malls in Hong Kong. We aim to have each of the partners who is the market leader in their specific sectors, so as to complement HKTVmall’s leading position in the online grocery sector.

During the year, we have certain encouraging development on this new business:

- a. In October 2020, we have set up the first overseas Research and Development centre in Taiwan currently having more than 60 technical professionals to support the development of the Solution Business.
- b. In December 2020, Shoalter has entered into a definitive eCommerce solution agreement with a retail group in Hong Kong. Shoalter will provide the hardware and software system as a service to the retail group to support the set-up of its online shopping mall. Based on the latest progress, it is expected to be launched in Q3 or Q4 2021.

At HKTV Group, to conclude the performance in 2020, structural consumer behavioral change, solid growth momentum, proven formula for a profitable online shopping mall business, and technical edge to drive for next success at HKTV are the key deliverables brought by the entire HKTV team. We hope COVID-19 situation will be improved in near term, and we look forward to bringing HKTV to the international stage to showcase the success of HKTVmall and to extend Shoalter's solution to overseas and local markets.

## **FINANCIAL REVIEW**

During the year, the COVID-19 pandemic created an unprecedented health and economic crisis on the global economy, however, it also accelerated the transformation of retail industry from offline to online. At HKTV, with the capability we built in the past 6 years, the Group was able to capture the growth opportunities and in 2020, recorded a 115.6% growth on GMV on completed orders reaching HK\$5,838.1 million (2019: HK\$2,707.8 million).

The Group's turnover increased by 103.5% to HK\$2,877.9 million in 2020 (2019: HK\$1,414.0 million) which is composed of:

1. HK\$1,970.3 million from direct merchandise sales (2019: HK\$1,101.0 million);
2. HK\$883.8 million from concessionaire sales and other service income (2019: HK\$302.8 million); and
3. HK\$23.8 million from multimedia advertising income and licensing of programme rights (2019: HK\$10.2 million).

With the 79.0% growth in direct merchandise sales, the cost of inventories increased correspondingly to HK\$1,463.5 million (2019: HK\$853.3 million), representing a 71.5% increase.

In 2020, other operating expenses increased by 49.0% to HK\$1,330.9 million relative to HK\$893.3 million incurred in 2019. Among the other operating expenses, fulfilment costs, marketing, promotional and O2O shop operating expenses, and eCommerce operation and supporting costs are considered as key operating expenses items for running the business, which as a percentage of GMV on completed orders, has improved by 9.1% in total in 2020 versus 2019.

	2020		2019	
	<i>As a% of GMV on completed orders</i>	<i>HK\$ million</i>	<i>As a% of GMV on completed orders</i>	<i>HK\$ million</i>
<b>Fulfilment costs</b> (note 1)	<b>11.8%</b>	<b>687.5</b>	15.2%	412.1
<b>Marketing, promotional and O2O shop operating expenses</b> (note 2)	<b>4.0%</b>	<b>234.1</b>	6.6%	179.1
<b>eCommerce operation and supporting costs</b> (note 3)	<b>5.4%</b>	<b>317.2</b>	8.5%	229.4
<b>Total key operating expenses</b>	<b>21.2%</b>	<b>1,238.8</b>	<b>30.3%</b>	<b>820.6</b>
<b>Major non-cash items</b> (note 4)		<b>136.3</b>		100.5
<b>Less: Marketing, promotional and O2O shop operating expenses deducted in turnover</b>		<b>(44.2)</b>		(27.8)
<b>Total other operating expenses</b>		<b>1,330.9</b>		<b>893.3</b>

*Notes*

1. Included depreciation — other properties leased for own use of HK\$43.0 million (2019: HK\$33.4 million), excluded interest on lease liabilities of HK\$5.9 million (2019: HK\$4.8 million).
  2. Included HKTVmall dollars and promotional coupon of HK\$44.2 million (2019: HK\$27.8 million) being deducted in turnover, and depreciation — other properties leased for own use of HK\$43.7 million (2019: HK\$37.0 million), and excluded interest on lease liabilities of HK\$2.2 million (2019: HK\$2.3 million).
  3. Included depreciation — other properties leased for own use of HK\$0.8 million (2019: nil).
  4. Excluded depreciation — other properties leased for own use of HK\$87.5 million (2019: HK\$70.4 million).
- 1) **Fulfilment costs** incurred for warehousing and logistics functions included costs allocation of shop pick up. Improved operational efficiency mainly caused by the full year benefit from the launch of automated picking and warehousing system at Tseung Kwan O Headquarters in March 2019 and the launch of cross-belt sorter system located in Tuen Mun fulfilment centre in February 2020. These systems substantially cut down the manpower costs for picking, stock replenishment process, order sorting and consolidation processes. Besides, efficiency continued to gain from the increasing average daily orders from 15,100 in 2019 to 32,300 in 2020.

Nevertheless, in Q3 2020, part of the efficiency gain from automation and order growth was net off by incremental fulfilment costs due to the sudden surge in average in GMV on order intake by 44% in July 2020 versus June 2020 and the shortfall in frontline

manpower due to the Group's home quarantine policy for Talents and Customers' protection, special frontline allowance for COVID-19 and the inventory write off from the unavoidable cancellation of prolonged orders have added incremental costs to operation. The situation has been improved and resumed to normal state during Q4 2020.

On overall basis, the total fulfilment costs as a percentage of GMV on completed orders was decreased from 15.2% in 2019 to 11.8% in 2020.

- 2) **Marketing, promotional and O2O shop operating expenses** included digital marketing, promotional coupon code and HKTVmall Mall Dollar grant, promotional leaflet, O2O shop running and marketing costs, etc., and all related functions' Talent costs. Given the accelerated transformation from offline shopping to online shopping during the year, in particular on supermarket and grocery products, in 2H2020, we invested more resources in driving repeated purchases to strengthen the structural change in consumer behavior, expanding supermarket purchases to include wet market products, recruiting new customers to extend the online clientele to beyond the age of 60, etc.. Moreover, in 2H2020, the Group also aggressively pushed for Citi HKTVmall co-brand credit card acquisition and usage for HKTVpay's development in long term.

Including the HK\$44.2 million (2019: HK\$27.8 million) Mall Dollars granted and promotional coupons used which was deducted in the turnover, the total expenses accounted for 4.0% of GMV on completed orders (2019: 6.6%) at HK\$234.1 million (2019: HK\$179.1 million).

- 3) **eCommerce operation and supporting costs** includes payment processing charges, merchant relations and acquisition, customer service, information technology, and other management and supporting functions. There was a continued efficiency improvement during the year in which the eCommerce operation and supporting costs decreased from 8.5% of GMV on completed orders in 2019 to only 5.4% in 2020. The increase in absolute costs of HK\$87.8 million was mainly for the increase in payment processing charges which was in line with the significant growth in GMV, expanded research and development Talents and the additional discretionary bonus provision for directors.

On major non-cash items, mainly include depreciation on property, plant and equipment, amortisation of intangible assets and equity-settled share-based payment. There was an HK\$19.7 million increase in depreciation on property, plant and equipment (excluded depreciation on other properties leased for own use) mainly due to the full year depreciation effect for the launch of automated picking and storage system in Tseung Kwan O headquarters in March 2019, the depreciation of cross-belt sorter system in Tuen Mun distribution centre launched in February 2020, additional delivery trucks and O2O shops added in 2019 and 2020, and system and network server expansion. Moreover, there was equity-settled share-based expenses of HK\$15.1 million recorded in 2020 (2019: HK\$0.1 million).

During the year ended 31 December 2020, a valuation loss on investment properties of HK\$6.1 million (2019: gain of HK\$0.8 million) was recognised based on the valuation carried out by an independent firm of surveyors at year end.

Other income, net, of HK\$116.9 million was earned in 2020 (2019: HK\$54.4 million), mainly composing of government subsidies recognised during the year of HK\$70.9 million (2019: nil), investment returns generated from other financial assets and bank deposits of HK\$27.0 million (2019: HK\$33.8 million), rental income from investment properties of HK\$23.8 million (2019: HK\$23.8 million), partially offset by the unrealised fair value loss on units in investment funds measured at FVPL of HK\$2.4 million (2019: gain of HK\$0.4 million), provision for expected credit losses on debit securities measured at FVOCI of HK\$4.5 million (2019: HK\$0.7 million) and the net exchange loss of HK\$1.6 million in 2020 (2019: HK\$4.4 million) mainly due to the depreciation of USD against HKD during the year.

The decrease in bank interest income and returns from investment in other financial assets of HK\$6.8 million was mainly due to the realisation of a portion of the investment portfolio to reduce the market and financial risk exposure on investment.

Finance costs is mainly composed of interest on bank loans of HK\$1.9 million (2019: HK\$5.1 million) and interest on lease liabilities of HK\$8.1 million (2019: HK\$7.1 million).

Overall, the Group achieved a net profit of HK\$183.6 million in 2020 relative to a net loss of HK\$289.9 million in 2019 and an adjusted EBITDA profit of HK\$307.0 million versus adjusted EBITDA loss of HK\$216.0 million in 2019 representing a significant improvement in 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 December 2020, the Group had total cash position representing cash and cash equivalents of HK\$942.5 million (31 December 2019: HK\$149.7 million) and has no outstanding borrowings (31 December 2019: HK\$315.0 million was drawn for investment yield enhancement purposes). The increase in total cash position was mainly due to the cash inflow generated from operating activities of HK\$608.0 million, the net realisation from investment portfolio of HK\$196.8 million, net investment income received of HK\$30.0 million, net proceeds of HK\$454.0 million from issuance of new shares for exercised share options and placing and subscription during the year, discharge of pledged bank deposit of HK\$3.9 million, proceeds received from disposal of property, plant and equipment of HK\$0.5 million, partially net off by the capital and interest element of lease rentals of HK\$94.2 million, payment made for purchases of property, plant and equipment of HK\$88.4 million, net bank loan repayment of HK\$315.0 million and interest paid on bank loans of HK\$2.9 million.

On investment in other financial assets, the Group has invested, at fair value, HK\$342.3 million as at 31 December 2020 (as at 31 December 2019: HK\$555.6 million). As at 31 December 2020, there was a net surplus of HK\$1.8 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2019: a revaluation surplus of HK\$8.2 million). During the year, the total fair value change on other financial assets (after netting of expected credit losses recognised) amounted to deficit of HK\$13.5 million (as at 31 December 2019: surplus of HK\$23.3 million), in which a deficit of HK\$7.0 million (as at 31 December 2019: HK\$0.3 million), deficit of HK\$2.0 million (as at 31 December 2019: surplus of HK\$19.4 million) and deficit of HK\$4.5 million (as at 31 December 2019: surplus of HK\$4.2 million) were recorded in profit or loss, fair value reserve (recycling) and fair value reserve (non-recycling) respectively.

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

As at 31 December 2020, the Group has not utilised any uncommitted banking facilities (31 December 2019: utilized HK\$315.0 million mainly for investment yield enhancement purpose), leaving HK\$935.1 million (31 December 2019: HK\$624.9 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at banks/financial institutions and in hand, and term deposits within three months of maturity, if any. As at 31 December 2020, the Group had not pledged any bank deposits and as at 31 December 2019, the Group had pledged bank deposits of US\$500,000 (equivalent to approximately HK\$3,900,000) as security for the bank facilities of US\$500,000 (equivalent to approximately HK\$3,900,000) granted by a bank for foreign exchange and interest rate hedging arrangement.

The debt maturity profiles of the Group as of 31 December 2020 and 31 December 2019 were as follows:

	<b>31 December 2020</b>	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable within one year	<u>–</u>	<u>315,015</u>

The Group was in a net cash position as of 31 December 2020 and hence no gearing ratio was presented. As at 31 December 2019, our outstanding borrowings bore fixed interest rate and were denominated in Hong Kong dollars. After considering the cash and cash equivalents and term deposits, if any, held by the Group, the gearing ratio of the Group as of 31 December 2019 was 0.11 times. 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.

	<b>31 December 2020 HK\$'000</b>	31 December 2019 HK\$'000
Net Debt ( <i>note (a)</i> )	–	(165,302)
Net Assets	<u>2,097,688</u>	<u>1,451,608</u>
Gearing (times)	<u>–</u>	<u>0.11</u>

*Note (a)* Total bank borrowing net of cash and cash equivalents and term deposits, if any.

During 2020, the Group invested HK\$88.4 million on capital expenditure as compared to HK\$139.9 million in 2019. The capital expenditure for 2020 was mainly incurred for balance payment of cross-belt sorter system, new O2O shops opening, additional delivery trucks, renovation for fulfilment centre and system capacity expansion. For the upcoming capital expenditure requirements, we will remain cautious and it is expected to be funded by internal resources within the Group and the available banking facilities. Overall, the Group's financial position remains sound for continued business expansion.

### **Fund raising activity**

For the purpose of strengthening the Group's financial position and the medium term funding of its expansion and growth plan, on 11 February 2020, the Company entered into a placing agreement ("Placing Agreement") with Top Group International Limited (the "Vendor") and UBS AG Hong Kong Branch (the "placing agent") and a subscription agreement ("Subscription Agreement") with the Vendor, pursuant to which the placing agent agreed to place, on a fully underwritten basis, 90,000,000 existing ordinary shares of the Company to not less than six independent placees at HK\$5.15 per share (the "Placing"), and the Vendor agreed to subscribe for 90,000,000 new ordinary shares of the Company (the "Subscription Shares") at HK\$5.15 per share (the "Subscription"). The completion of the Placing and the Subscription took place on 14 February 2020 and 24 February 2020, respectively. The gross proceeds amounted to approximately HK\$463.5 million and the net proceeds from the Subscription amounted to approximately HK\$453.2 million. The net placing price is approximately HK\$5.04 per share. The Subscription Shares represent approximately 10.96% of the issued share capital of the Company as at the date of the Placing Agreement and the Subscription Agreement and approximately 9.88% of the issued share capital of the Company as enlarged by the Subscription. The Subscription Shares have a market value of approximately HK\$540.9 million based on the closing price of the shares as at 11 February 2020.

The Company intends to use the net proceeds from the Subscription for (1) expansion of the eCommerce and related business of the Group; and (2) as general working capital, which is consistent with the intentions disclosed in the Company's announcements dated 12 February 2020 and 24 February 2020. Details of the use of net proceeds are as follows:

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

### **Charge on Group Assets**

As of 31 December 2020, the Group's banking facilities of HK\$935.1 million were secured by the Group's other financial assets of HK\$342.3 million and cash of HK\$361.7 million held by various banks. Moreover, as of 31 December 2019, there was a banking facility of US\$0.5 million (equivalent to HK\$3.9 million) granted by a bank for certain short term credit facility arrangement which was pledged by an equivalent amount of bank deposit. This pledged bank deposit was discharged during the year.

### **Exchange Rates**

All the Group's monetary assets and liabilities are primarily denominated in Hong Kong dollars, United States dollars, Renminbi and Euro. Given the exchange rate of the Hong Kong dollar to the United States dollar has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between these two currencies.

The Group is also exposed to a certain amount of exchange rate risk due to the fluctuations between the Hong Kong dollar and the Renminbi arising from its investments mainly in Renminbi fixed income products or term deposits, and between the Hong Kong dollar and Euro arising from Euro bank deposits. In order to limit this exchange rate risk, the Group closely monitors Renminbi and Euro exposure to an acceptable level by buying or selling foreign currencies at spot rates where necessary.

## **Contingent Liabilities**

As of 31 December 2020 and 31 December 2019, the Group had no material contingent liabilities or off-balance-sheet obligations.

## **PROSPECTS**

At HKTV, we shall continue to use technology to drive our strategic direction and business growth. We have accumulated valuable experience on setting up and operating HKTVmall since seven years ago and this experience has formed a solid foundation to extend our role to become a technology enabler for future.

HKTVmall is the dominant local-based online shopping platform in Hong Kong and we shall continue to expand the technical enrichment to completing the digital ecosystem.

### **Open Databank**

In early January 2021, we have launched the phase 1 of Open Databank and currently we have more than 700 active users mainly from existing merchants and academic participants. Data visualization and analytics solution has helped HKTVmall merchants to transform data into actionable marketing strategies more effectively. We shall further open up the Open Databank for additional user groups in the society by phases.

We also announced in February 2021 for a new partnership with HSBC for using HKTVmall merchant data for the credit assessment and monitoring process of their digital trade finance solution. We do expect more collaboration with parties from different industries to apply HKTVmall's data journey to facilitate their commercial or life improvement projects.

### **In-app Live Shopping Channels**

First phase of in-app live shopping channels was launched in early January 2021. At this initial stage of launch, we already had over 170 live shows with an average of more than 25,000 views per show. To most Hong Kong retailers, live shopping channel at shopping app is a new advertising format, and over time, we expect this new function will be an alternative channel for multimedia advertising revenue stream.

Other than the above, HKTV express (1-hour delivery option) and Eco Mart (pre-owned goods marketplace) are under the pipeline to launch in Q2 2021, and we will have more enrichments to launch to further enhance the stickiness and bonding between consumers, merchants and suppliers, and HKTVmall.

On Shoalter solution business, we are in discussion with certain local and international supermarket and retail operators exploring co-operation opportunities in Hong Kong and overseas. Given the complexity and high commitment required for building an online shopping mall, together with the cross-border travelling restriction, it is expected that a prolonged commercial discussion window is required.

Overall, with the mission of “one system, multiple malls in multiple countries”, we continue to hold our belief on the global retail landscape digitization, which will happen sooner or later. We envisage to bring the Group, HKTVmall and Shoalter to go beyond the geographical boundaries in order to compete with the eCommerce giants globally.

## **2021 Business Targets**

The Board has set the below business targets for the Group in 2021, subject to the development and impact of the COVID-19 pandemic on our business, the local retail market, and local and global economies:

1. GMV on order intake at HK\$6.6 billion to HK\$7.0 billion, representing a year-on-year growth of 11.0%–17.6%.

The performance up to February 2021 was in line with our business plan and we project the GMV on order intake for March 2021 will be around HK\$520.0 million.

2. Multimedia advertising income of approximately HK\$70.0 million.
3. Key operating expenses as a % of GMV on completed orders
  - a. Fulfilment costs at 11.9%;
  - b. Marketing, promotional and O2O shop operating expenses at 3.8%;
  - c. eCommerce operational and supporting costs at 5.3%.
4. Adjusted EBITDA profit of HK\$298.0 million to HK\$318.0 million<sup>4</sup>, representing a year-on-year growth of 26.3%–34.7%.

## **TALENT REMUNERATION**

Including the Directors, as at 31 December 2020, the Company had 1,818 permanent full-time Talents versus 1,238 as of 31 December 2019. The Company provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Company’s and individual performances. The Company also provides comprehensive medical and life insurance coverage, competitive retirement benefits schemes, staff training programs and operates share option schemes.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2020.

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

Throughout the year ended 31 December 2020, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

Having made specific enquiry with the Directors, all of them have confirmed that they have fully complied with the required standard set out in the Model Code and the Company Code throughout the year ended 31 December 2020.

## **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 2020.

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

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

## **ANNUAL GENERAL MEETING**

The AGM will be held on Wednesday, 9 June 2021. 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 Friday, 4 June 2021 to Wednesday, 9 June 2021, 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 Thursday, 3 June 2021.

By Order of the Board  
**Hong Kong Television Network Limited**  
**Cheung Chi Kin, Paul**  
*Chairman*

Hong Kong, 30 March 2021

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