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

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

(1) FY2023 Business Outlook and Targets
(2) Hong Kong eCommerce Business Unaudited Operational Information for December 2022
(3) Hong Kong eCommerce Business Unaudited FY2022 Business Target Achievement

The board of directors (“**Board**”) of Hong Kong Technology Venture Company Limited (“**Company**” and together with its subsidiaries, “**Group**”) is pleased to announce the Group’s business outlook and targets for FY2023, unaudited operational information for December 2022 and certain business target achievements for FY2022 of the Group’s Hong Kong eCommerce Business.

(1) The Group’s Business Outlook and Targets for FY2023

In 2023, the Group will continue its strategy to use technology to change the landscape of various industries in and beyond Hong Kong. On Hong Kong eCommerce Business, we maintain our mid-term target to generate Gross Merchandise Value (“**GMV**”) on Order Intakeⁱ of HK\$12.0 billion to HK\$15.0 billion (representing approximately 3.4% to 4.3% of Hong Kong Total Retail Sales Valueⁱⁱ) by 2026. In addition, a few venture projects under the pipeline will be launched in 2023 to strengthen our dominant and leading position in Hong Kong eCommerce industry and to extend the Group’s footprint to beyond Hong Kong.

We understand the development costs of these new venture projects will affect the short-term profitability of Hong Kong eCommerce Business. Nevertheless, they are important for growth and shareholders’ return in the long run.

1. **Hong Kong eCommerce Business**

The local retail sector had suffered in 2022 and the uncertainty of economic recovery will make 2023 another challenging year for the retail industry. Global economic uncertainty, elevated interest rate environments, volatile stock and credit markets, prolonged COVID-19 pandemic and accelerated border re-openings are expected to have significant impacts on the recovery of Hong Kong economy.

As a result, we are cautious in setting our 2023 business targets on Hong Kong eCommerce Business. We maintain our positive view on the growth momentum of Hong Kong eCommerce development, in particular on growing the number of online customers, their purchase frequencies and product categories purchased at HKTVmall. Nevertheless, we also expect some consumers' purchasing power may be shifted from high value products to low value products due to challenges of local economy and household disposable income. Hence, **Merchant Engagement** to increase the number and variety of merchants and **Product Varieties** to increase the number and spectrum of product items and product categories are key to strengthen our market leading position in 2023.

Wet Market Express Delivery

With the relaxation of various social distancing measures by the government in the second half of 2022, we noticed a decline in demands for food delivery services. Moreover, we were aware of a new uncontested business opportunity in wet market food product express delivery arisen from increasing demand for home cooking due to changes in consumer behaviour and mindfulness on wellness.

We, therefore, ceased our food delivery service operation and shifted our resources to build a new Wet Market Express Delivery service under HKTVmall and quickly established the service to cover 7 wet markets in 7 different districts including Ma On Shan, Shatin, Tai Po, Tuen Mun, Tsuen Wan, Tseung Kwan O and Yuen Long by the end of 2022. This does not only expand the wet market product choices to our existing customer but also open HKTVmall to a new customer segment in need of wet market products with express delivery in as quick as 2 hours.

Given the popularity of this new service, we are building our express delivery team and are going to expand to 13 wet markets covering approximately 60% - 65% of the total number of homes passed in Hong Kong in 2023. We are

confident that this new service will strengthen the leading position of HKTVmall by converting offline wet market shoppers into online recurring customers.

Overseas Market Expansions

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

Our first overseas expansion market is Macau which had its trial launch in December 2022 targeting local Macau residents as well as Mainland Chinese visiting residents. Our next overseas market will be the United Kingdom which is targeted to be launched in the second quarter of 2023. We shall continue to explore business opportunities in other locations, such as Canada, Australia, etc..

FY2023 Hong Kong eCommerce Business Target

The Board has set the following key performance targets on Hong Kong eCommerce Business:

- a. Annual GMV on Order Intake for HKTVmall at approximately HK\$8.8 billion to HK\$9.2 billion, representing a year-on-year growth of 6.3% to 11.1% subject to Hong Kong retail sector growth of 0% to 5% in 2023;
- b. Multimedia advertising income of approximately HK\$156.0 million. With an early bird offer launched since September 2022, advertising fee commitments of approximately HK\$115.0 million had been received by end of December 2022;
- c. Blended gross margin and commission rate (before including multimedia advertising income) at approximately 24.0% - 24.5%;
- d. Hong Kong eCommerce Business Adjusted EBITDA margin at 5% – 5.5% (representing approximately HK\$440 million to HK\$506 million), with dynamic resources allocation between fulfilment costs, marketing, promotion and O2O shop marketing expenses, and overhead absorption of supporting functions for Hong Kong eCommerce Business operations.

2. **Technology Business and New Venture Projects**

We embarked on a few new ventures during 2022. Although we may not be able to succeed in every new venture, we believe investing in new ventures will bring new business opportunities to the Group and also to nurture our next generation leaders. As we mentioned in our Chairman Statement of 2021 Annual Report, our motto is “dare to try, dare to fail, dare to examine and make use of technology to transform every industry”.

We shall continue to ride on our technology DNA to strengthen our role and position as an **eBusiness Enabler**, including the announced patented Fully Automated Retail Store and System and other new venture projects to be launched in 2023. Going forward, we may also explore new venture projects that may not be related to retail or eCommerce industry.

a. Patented Fully Automated Retail Store and System – Target Pilot Launch by the second quarter of 2023 if no further technical or regulatory issue

Given prolonged time required for completing the store leasing process in Manchester of the United Kingdom, the first launch of our self-invented and patented Fully Automated Retail Store and System was delayed. The first lease was finally executed right before the end of 2022 and the local project team is in full force now working on the store and inventory set-up. We expect the first pilot store will be launched by the second quarter of 2023. In the meantime, the Hong Kong and the United Kingdom engineering team is in the process of enhancing and upgrading machine design and capability and preparing for mass production.

b. Core New Venture Projects in 2023 for Merchant Engagement, Value Added Services and Strengthen our Leading eCommerce Position

i. Third-Party Logistics Service (“3PL Service”) – soft launch by April 2023 with official launch by July 2023

During the second half of 2022, our Last Mile Service Pledge to meet “2 days delivery” target was achieved for more than 95% of customer orders placed during weekdays. In addition, we are able to achieve delivery as quick as 12 hours for around 16,000 product items under our direct inventory management.

To further improve our last mile delivery to as quick as 8 hours including weekend and public holiday, we are developing our 3PL Service targeting to be soft launched by April 2023 and to be officially launched by July 2023 subject to the resumption of Mainland China hardware suppliers' manufacturing capacity and logistics arrangement.

Our 3PL Service allows our merchants to outsource stock in, storage, replenishment, picking and packing process to our automated fulfilment operations. This will help our merchant to reduce fulfilment costs through automation technology and be able to fulfil customer orders 364 days all year round just like our own inventory at HKTVmall. With enhanced logistics arrangement, we can further improve our delivery time to as quick as 8 hours.

We shall charge our merchants a minimum fixed fee for storage and separate fees on other services on usage basis which is estimated to be 2% - 6% of GMV subject to the selling price of the product items. The total charges may still be lower than the total costs of fulfilment and logistics if arranged by our merchants themselves. Moreover, the 3PL Service will enhance the efficiency and accuracy for picking and packing operations all year round.

- **As Quick As 12 and 8 hours Delivery**

Our 3PL Service will enable our merchant partners to meet the "Same Day Delivery Service" pledge. Once our 3PL Service is launched, we will have the ability to enable about 100,000 product items including merchant products to be delivered to customers in as quick as 12 hours.

With further enhanced logistics arrangement in the second half of 2023, i.e., Customers placing orders by 10am, we shall be able to deliver customer orders in as quick as 8 hours. This will largely enhance our merchant products' competitiveness.

- **Enhanced Product Exposure**

All product items under our 3PL Service will be available for customers all year round, (24 hours x 364 days) and these products will be entitled to prioritized product search ranking and marketing support. This will largely enhance merchant products' exposure to customers.

ii. All-in-One eStore Solution – by end of first half of 2023

A newly self-developed all-in-one solution enable any local and international retailers to set up, design and operate its eStore with dedicated website domain for online business with commission rate as low as 3% of order value. This end-to-end solution includes store front design and store management, customer order management, marketing and promotional tools, data analytical tools and open delivery service options.

More importantly, this solution will bring additional value to merchants which are not matched by other solutions currently available in the market:

- **Traffic:** Powered by the monthly 1.5 million active App user traffic of HKTVmall which is fundamentally critical to the success of any eStore;
- **Data:** Enable the merchants to own visitor and customer data which are critical in developing its online product, pricing and promotional strategy;
- **Efficiency:** Allow merchants who are running an eStore at HKTVmall to manage product portfolio and inventory through a single merchant management system.

In addition to the above, merchants or retailers and local or international brand owners can also produce and run their own “**Live Shopping Channel**” at HKTVmall aiming to extend the offline sales hours up to 24 hours a day and 7 days a week. This live channel will enable users to have direct engagement and interaction with multiple online audience to introduce products and to simulate immediate interactive purchases and payment process. On successful order placed, we shall charge a commission at 3% - 5% of order value and merchants or retailers will be responsible for arranging their last mile delivery to customers.

iii. Everuts – redefining social commerce and global connection, officially launching in January 2023

We are launching a new application, Everuts which is a social e-commerce platform. Within Everuts we have Exploruts, the international personal shopper program for global purchasing options.

- **Everust - Everything Under The Sun**

A brand new social e-commerce platform of the Group aiming to make e-commerce not just a transactional one but also a social experience such as making immediate purchase from user created posts.

- **Exploruts – Explorers Under The Sun**

International personal shoppers within Everuts.

Everuts connects consumers who want to purchase products from overseas and Exploruts around the globe who will purchase the ordered products from overseas market on behalf of consumers. Everuts is the credible connecting platform which can be seen as an analogy to a bank issuing a letter of credit to the seller ensuring they will get pay while the buyer will receive the goods. Bank serves the B2B market while Everuts mainly serves the C2C market.

Initially, we will first promote this new platform to HKTVmall over 1.5 million Hong Kong consumers, and will extend to global consumers in due course. We are currently in the process of recruiting thousands of Exploruts all over the world.

At present, Everuts has Exploruts in Japan, South Korea, Thailand, Taiwan, Singapore, Australia, the United Kingdom, France, the United States, Canada, Turkey and Iceland.

On Everuts, lifestyle has no boundaries. With us, the world is at your fingertips.

With the launch of the Fully Automated Retail Store and System and various new venture projects in 2023, we expect the Technology Business and New Venture Projects in total may incur an Adjusted EBITDA loss of approximately HK\$140 million in FY2023. We will closely monitor the new venture project development and will perform a full review on each project in 2 years' time to redefine its next move.

We mentioned in our announcement dated 10th January 2022, “We do not know if any initiatives will come to succeed or not, but we know we are going to fail one day if not pursuing for any new development. Doing something new for a sustainable and enduring future is HKTV’s DNA, just like what we did in the past 30 years’ history.”

	FY2022	FY2021
Number of unique customers who made purchases at HKTVmall (rounded to the nearest thousand)	1,412,000	1,287,000

The Board wishes to remind shareholders and potential investors of the securities of the Company that the above information is unaudited and is based on preliminary internal information of the Group, which may differ from figures to be disclosed in the audited or unaudited consolidated financial statements to be published by the Company on an annual or half-yearly basis due to various uncertainties during the process of collating such sales information.

Shareholders and potential investors of the Company are cautioned not to unduly rely on such information and are advised to exercise caution in dealing in the Company's securities.

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

Hong Kong, 4 January 2023

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

Executive Directors:

Mr. Cheung Chi Kin, Paul (Chairman)

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

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

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

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

Independent Non-executive Directors:

Mr. Lee Hon Ying, John

Mr. Peh Jefferson Tun Lu

Mr. Mak Wing Sum, Alvin

Notes:

i. 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 discount offered by the marketplace, rebate used, cancellation and returns of merchandise sold.

ii. Based on the last twelve months’ Total Value of retail sales by type of retail outlet as extracted from the Report on Monthly Survey of Retail Sales, October 2022 as published by the Census and Statistics Department, The Government of Hong Kong Special Administrative Region (https://www.censtatd.gov.hk/en/data/stat_report/product/B1080003/att/B10800032022MM10B0100.pdf)

iii. 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.