



HKTV Interim Results 2021

Hong Kong Technology Venture Company Limited

(Stock code: 1137)

**Interim Results
for the period ended 30 June 2021**



26 August 2021

Content

01

Group Financial Review

by Ms. Alice Wong, Group CFO

02

Hong Kong Business Overview

by Ms. Jelly Zhou, CEO – Hong Kong

03

International Business Update

by Mr. Kenneth Lau, CEO – International Business

04

Strategic Direction and “Unmanned Store” Update

by Mr. Ricky Wong, Group CEO

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HKTV Interim Results 2021

Group Financial Review

Alice Wong
Group Chief Financial Officer



What does HKTV 1H2021 Results Tell?

– *Determination and Execution bring us Cash cow and Prospect*

1. Cash cow – HKTVmall

- ✓ **SUBSTANTIATE** the growth of our Hong Kong eCommerce business
- ✓ **FUND** future development opportunities with other source of funding
- ✓ **REWARD** our long-supported Shareholders

2. Technology Enabler – Shoalter end-to-end solution

- ✓ **CONVERT** traditional retail landscape into Digital shopping mall by commercialised in-house developed eCommerce solution

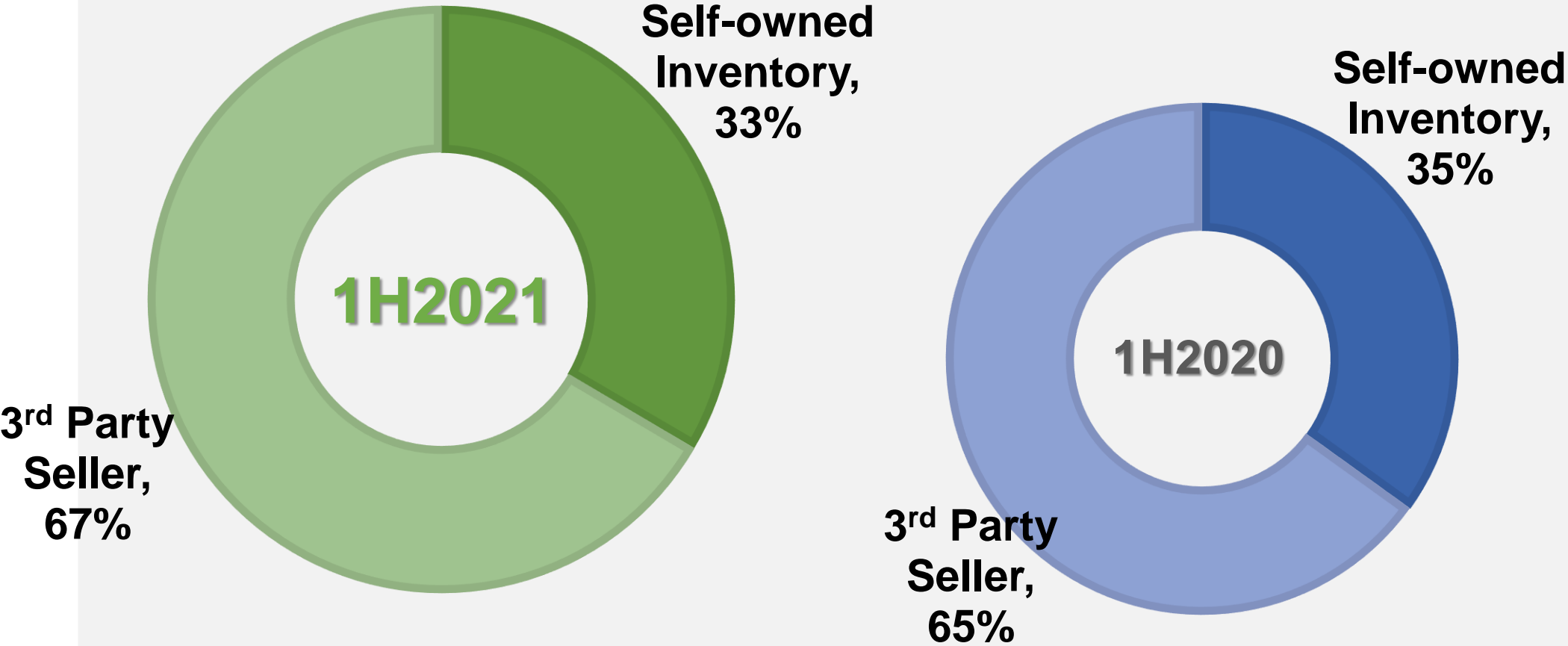
3. Venture – Invention and innovation

- ✓ **ACTUALISE** the Dream for long term growth of HKTV Group

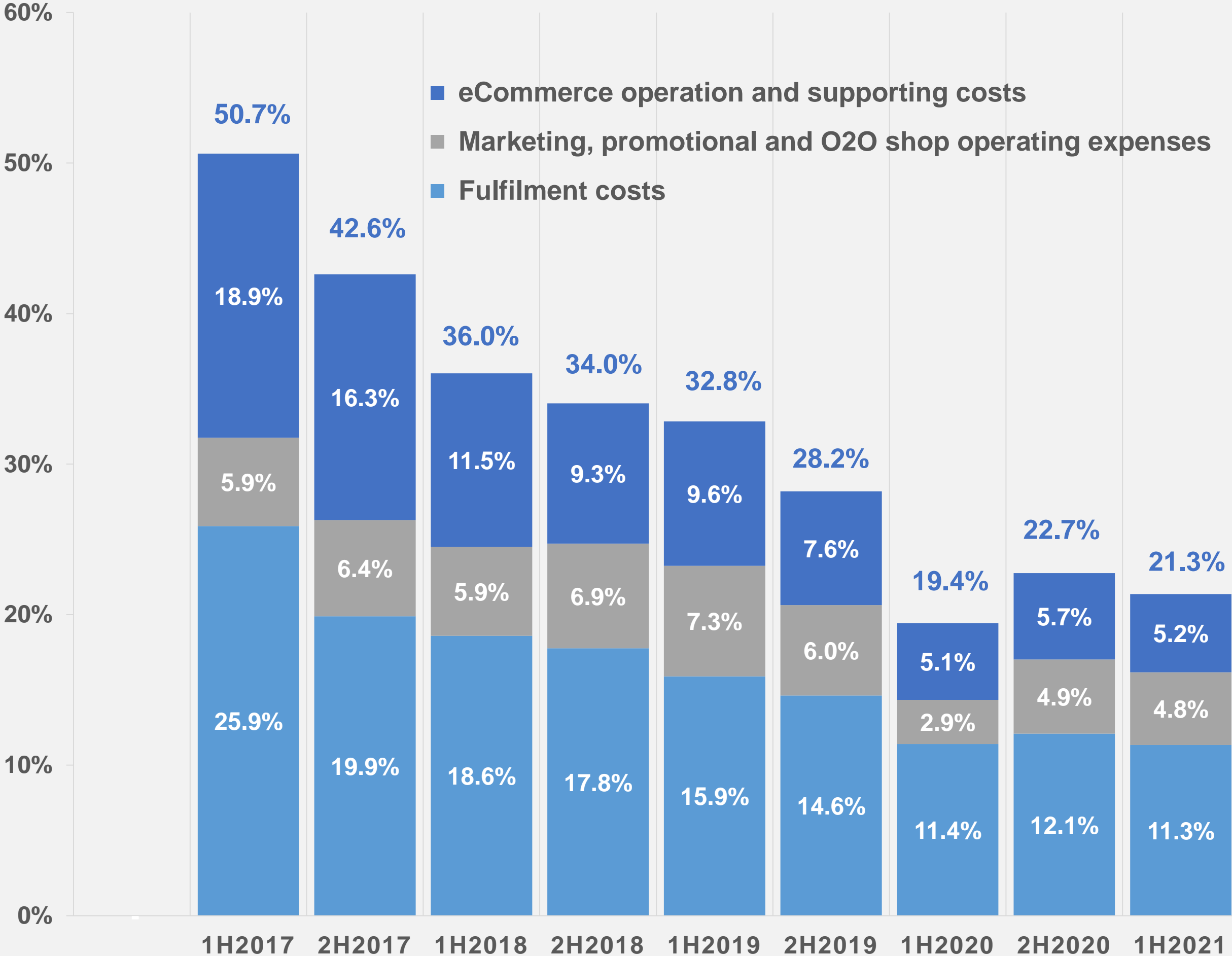
Profitable Online Landlord Model – Operating Leverage

1P – traffic driver and repeated purchase + 3P – consumer choices and fulfilment operational efficiency

As a % on GMV on Completed Order



Two-Third of GMV from 3rd Party Sellers for net margin improvement



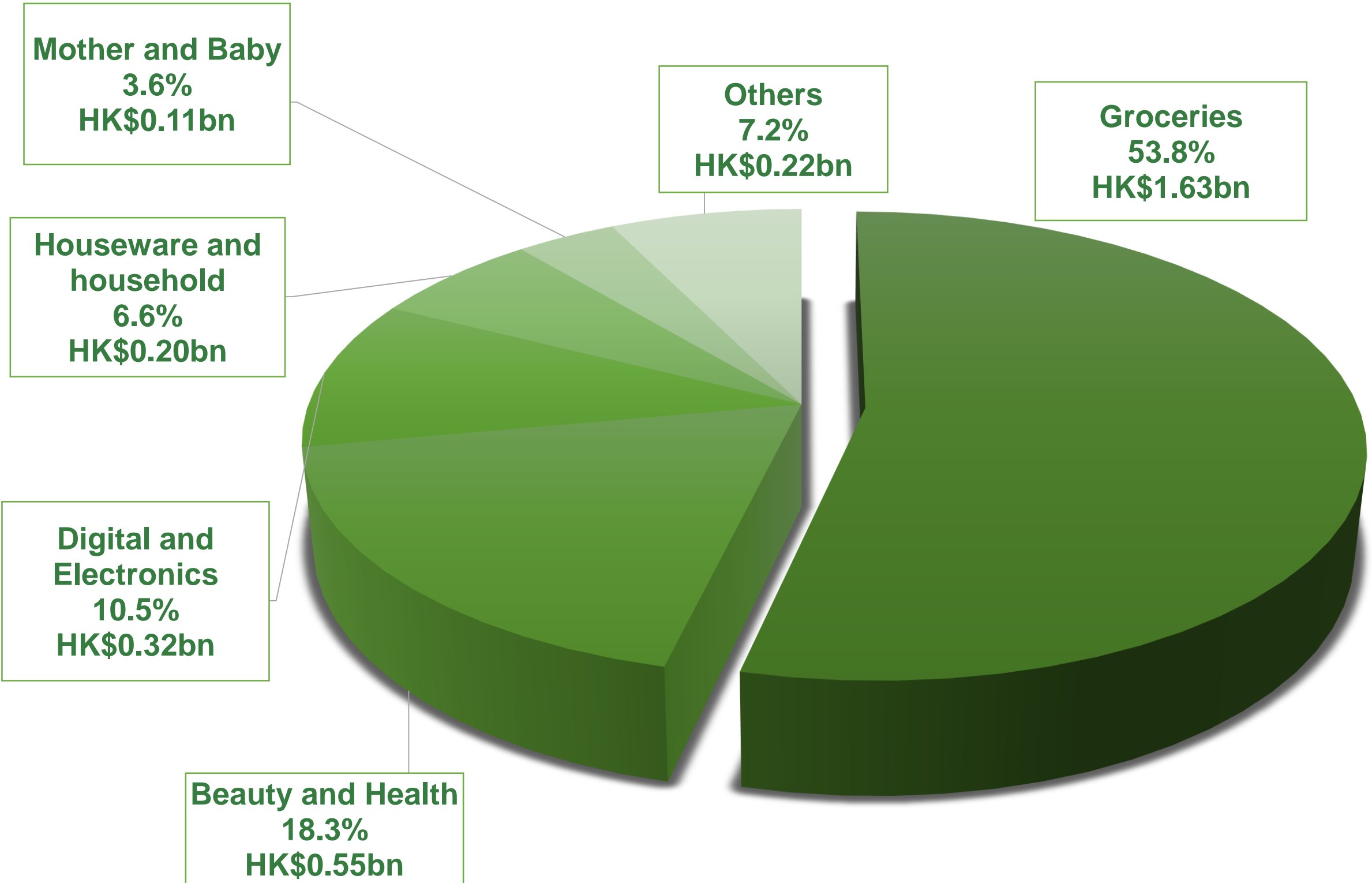
Ecommerce Key Operating Costs Structure
 **Marketing, promotional and O2O Shop Operating Expenses included those HKTVmall Dollars & promotional coupon deducted under Turnover in annual report disclosure

Profitable Online Landlord Model – HK's Leading Online Shopping Mall

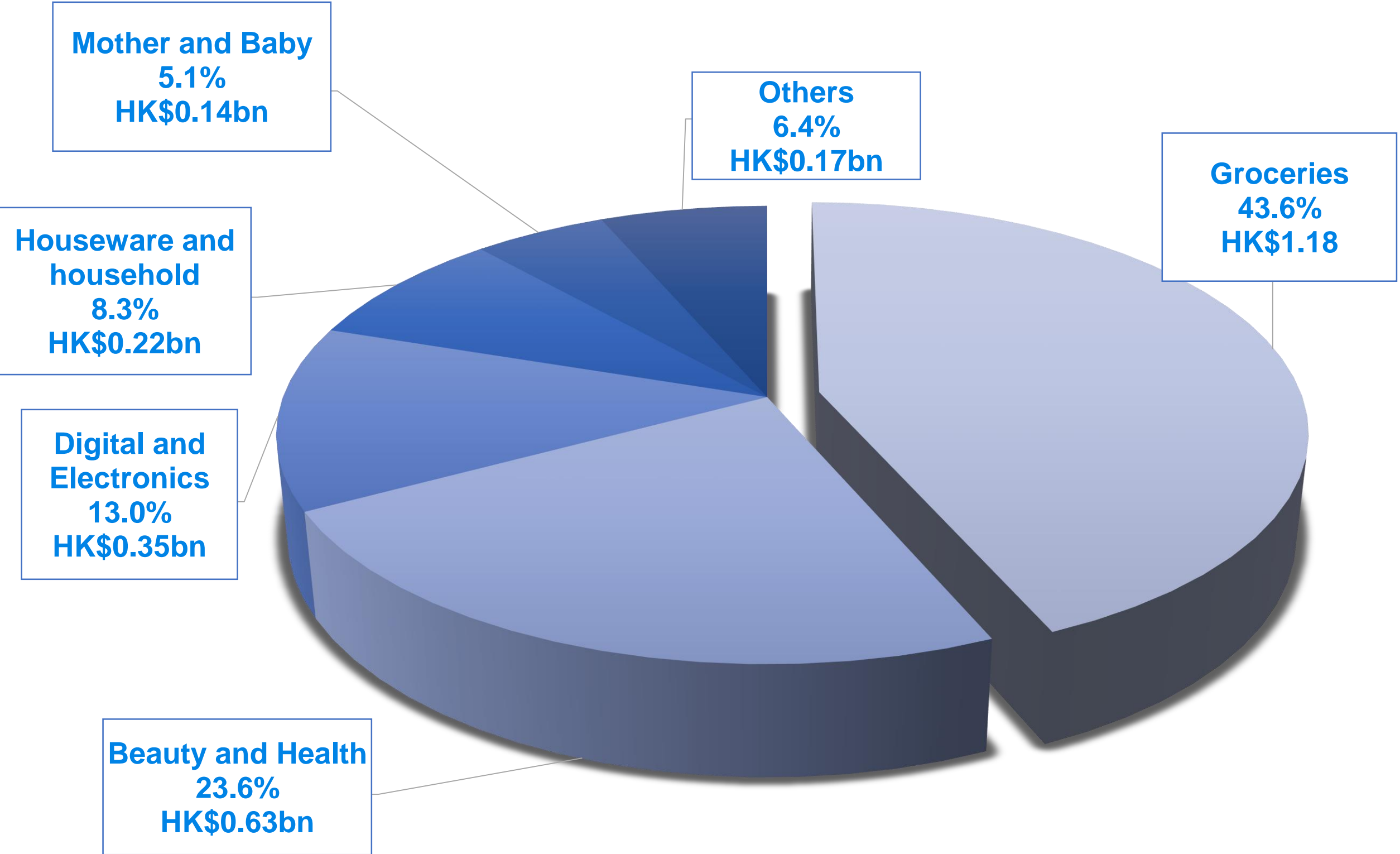
Complementary 1P and 3P Business Models

Growing grocery base for other product categories conversion along economic recovery over time

1H2021 GMV on Completed Orders: HK\$3.03 bn



1H2020 GMV on Completed Orders: HK\$2.69 billion



Consolidated Income Statement - Group

2nd Profitable Interim Results with 5% Adjusted EBITDA Margin

	1H2021	1H2020	Variance	
	HK\$'M	HK\$'M	HK\$'M	%
GMV on Order Intake	3,040.0	2,746.5	293.5	11%
GMV on Completed Orders	3,028.5	2,689.3	339.2	13%
Turnover	1,518.1	1,340.0	178.1	13%
Cost of inventories	(755.2)	(676.5)	78.7	12%
Operating expenses	(696.8)	(575.0)	121.9	21%
Valuation gain/(loss)	10.0	(4.4)	(14.4)	-326%
Other income, net	24.2	31.5	(7.3)	-23%
Finance costs	(3.8)	(6.3)	(2.5)	-40%
Profit before taxation	96.6	109.4	(12.9)	-12%
Income tax expenses	(0.7)	(0.1)	0.6	425%
Profit for the period	95.8	109.3	(13.5)	-12%
Profit margin (%)	3.2%	4.1%		
Profit for the period excluded government subsidies	95.8	93.0	2.8	3%
Profit margin (%) excluded government subsidies	3.2%	3.5%	-0.3%	
EBITDA	148.1	151.1	(3.0)	-2%
EBITDA/ GMV on completed orders (in %)	4.9%	5.6%	-0.7%	
Adjusted EBITDA	144.5	159.4	(15.0)	-9%
Adjusted EBITDA/ GMV on completed orders (in %)	4.8%	5.9%	-1.2%	
CAPEX	(49.9)	(45.8)	4.1	9%
Adjusted Free Cashflow	94.6	113.6	(19.1)	-17%

Consolidated Income Statement – Hong Kong Ecommerce Business

2nd Profitable Interim Results with 5% Adjusted EBITDA Margin

	1H2021	1H2020	Variance	
	HK\$'M	HK\$'M	HK\$'M	%
<i>(Below figures has been excluded the expenditure of Technology business)</i>				
Profit for the period	104.7	109.3 ↓	(4.6) ↓	-4%
Profit margin (%)	3.5%	4.1% ↓	-0.6%	
Profit for the period excluded government subsidies	104.7	93.0 ↑	11.7 ↑	13%
Profit margin (%) excluded government subsidies	3.5%	3.5% ↓	0.0%	
EBITDA	156.8	151.1 ↑	5.6 ↑	4%
EBITDA/ GMV on completed orders (in %)	5.2%	5.6% ↓	-0.4%	
Adjusted EBITDA	152.7	159.4 ↓	(6.7) ↓	-4%
Adjusted EBITDA/ GMV on completed orders (in %)	5.0%	5.9% ↓	-0.9%	
CAPEX	(49.9)	(45.8) ↑	4.1 ↑	9%
Adjusted Free Cashflow	102.9	113.6 ↓	(10.8) ↓	-9%

Stable Blended Margin and Rising Multimedia Advertising Income

On Completed Orders and Adjusted Basis	1H2021	1H2020	Variance	
	HK\$'000	HK\$'000	HK\$'000	%
Direct merchandise sales				
GMV on completed orders	1,013,665	939,411	↑ 74.3	8%
Cost of Inventories	(755,180)	(676,483)	↑ 78.7	12%
Gross profit	258,485	262,928	↓ (4.4)	-2%
Gross margin %	25.5%	28.0%	↓ -2.5%	
Concessionaire sales and other service income				
GMV on completed orders	2,014,823	1,749,896	↑ 264.9	15%
Merchant payments*	(1,531,296)	(1,346,737)	↑ 184.6	14%
Concessionaire sales and other service income	483,527	403,159	↑ 80.4	20%
Blended commission rate	24.0%	23.0%	↑ 1.0%	
Total GMV on completed orders	3,028,488	2,689,307	↑ 339.2	13%
Total gross profit and concessionaries sales and other income	742,012	666,087	↑ 75.9	11%
Blended GP/commission rate	24.5%	24.8%	↓ -0.3%	
Multimedia advertising income and licensing of programme rights				
Multimedia advertising income	47,960	9,950	↑ 38.0	382%
Other program license income	101	173	↓ (0.1)	-42%
	48,061	10,123	↑ 37.9	375%
Gross Contribution from Multimedia business	790,073	676,210	↑ 113.9	17%

Stabilized Overall Blended Gross Margin at 24.5%

Direct Merchandise Sales

- Lower gross margin to maintain online groceries competitiveness to drive for 3P business growth

Concessionaire Sales

- Slight growth on blended commission rate at 24.0% with 15% growth in GMV

Multimedia Advertising Income

- Achieved 68.5% of annual guidance, reached HK\$48.0mn

Remarks:

1. 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.
2. For direct merchandise sales, the GMV on completed orders is before the deduction of HKTVmall dollars of HK\$3,087,000 (for the six months ended 30 June 2020: HK\$3,282,000) and use of promotional coupon of HK\$22,937,000 (for the six months ended 30 June 2020: HK\$10,840,000).
3. For income from concessionaire sales and other service income, it is before the deduction of net HKTVmall dollars of HK\$1,102,000 (for the six months ended 30 June 2020: addition of HK\$1,411,000) and included merchant annual fee amortisation and other service income.

Key Other Operating Expenses

Key Operating Expenses

Fulfilment costs (note 1)

Marketing, promotion costs including O2O shops (note 1)

eCommerce operation and supporting functions (note 1)

eCommerce business key operating expenses

Technology business key operating expenses

Total key operating expenses

Major non-cash items (note 2)

HKTVmall dollars and promotional coupon being deducted in turnover

on the consolidated income statement disclosed in interim result announcement

Total other operating expenses

Total GMV on completed orders

	As a % of GMV on completed orders	1H2021 HK\$'mn	As a % of GMV on completed orders	1H2020 HK\$'mn
	11.3%	343.4	11.4%	306.6
	4.8%	146.3	2.9%	79.1
	5.2%	157.5	5.1%	136.6
	21.4%	647.2	19.4%	522.3
		8.3		-
		655.5		522.3
		68.4		65.4
		(27.1)		(12.7)
		696.8		575.0
		3,028.5		2,689.3

Note 1: Included depreciation — other properties leased for own use of HK\$21.8 mn, HK\$ 27.5 mn and HK\$1.7 mn in "Fulfilment cost", "Marketing and promotion costs including O2O shops" and "eCommerce operation and supporting functions" respectively (1H2020: HK\$20.9 mn, HK\$21.2 mn and nil); and Excluded interest on lease liabilities of HK\$2.5 million, HK\$1.0 mn and HK\$0.1 mn in "Fulfilment cost", "Marketing and promotion costs including O2O shops" and "eCommerce operation and supporting functions" respectively (1H2020: HK\$3.0 mn, HK\$1.3 mn and nil).

Note 2: Excluded depreciation — other properties leased for own use of HK\$51.0 million (1H2020: HK\$42.1 million).

- **Fulfillment costs : Maintained at 11.3% in 1H2021 (1H2020: 11.4%) as a % of GMV on completed orders**
- **Marketing and promotional costs and O2O shop operating expenses** : Accounted for **4.8% GMV on completed orders (1H2020: 2.9%)** Increase mainly due to aggressive wake up program for sleeping customers, stimulation program to drive for repeated purchases, promotion to engage users to new enrichments such as Senior Club for elderly and HKTVexpress, public housing program to increase penetration, and increased number of O2O shop from 68 to around 94 in 1H2021, together with effect from controlled spending in 1H2020 in rising seriousness of pandemic;
- **Ecommerce operation and supporting functions**: accounted for **5.2% of GMV on completed orders** in 1H2021 vs. 5.1% in 1H2020, with absolute amount of \$29.1mn increased comparing with 1H2020.

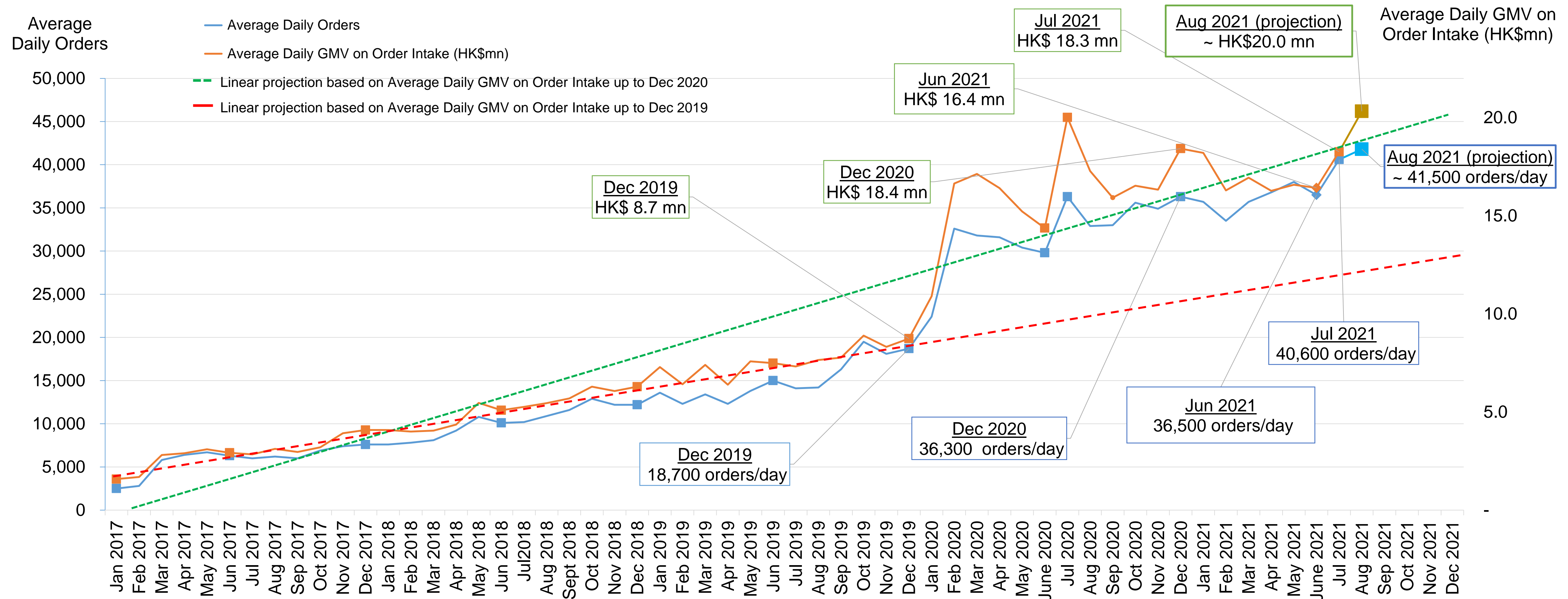
Consolidated Statement of Financial Position

Strong Liquidity with Investment in Other Financial Assets and Cash Balance of HK\$1.24 bn to back future development in eCommerce and Technology Business

	Jun-21	Dec-20	Variance	
	HK\$'000	HK\$'000	HK\$'000	%
Property, plant and equipment	1,116,056	1,111,687	4.4	0%
Other properties leased for own use	365,079	286,423	78.7	27%
Intangible assets	62,086	60,582	1.5	2%
Other financial assets (Fixed income and Equity investment)				
Non-current	294,357	324,119	(29.8)	-9%
Current	93,146	18,197	74.9	412%
Other receivables, deposits and prepayments	180,606	138,345	42.3	31%
Inventories and contract costs	127,642	126,573	1.1	1%
Cash and cash equivalent	849,577	942,479	(92.9)	-10%
Total Assets	3,088,547	3,008,405	80.1	3%
Accounts payable	249,398	319,888	(70.5)	-22%
Other payable and accrued charges	239,983	285,637	(45.7)	-16%
Deposits received	5,757	5,757	-	0%
Lease liabilities	374,550	298,208	76.3	26%
Deferred tax liabilities	1,295	1,227	0.1	6%
Total Liabilities	870,982	910,717	(39.7)	-4%
NET ASSETS	2,217,565	2,097,688	119.9	6%
Share capital	1,771,007	1,747,693	23.3	1%
Reserve	446,558	349,995	96.6	28%
TOTAL EQUITY	2,217,565	2,097,688	119.9	6%

Structural Change on Consumer Online Conversion

GMV on Order Intake reached **HK\$3.04 billion** in 1H2021, growth by 11% vs. 1H2020;
 Expecting record high GMV on order intake of HK\$620-630 million in August 2021



Source: GMV and Average Daily Order – Internal platform and system

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.

Update on Dividend Policy and 1H2021 Dividend

1. Our dividend policy aims to allow Shareholders to participate in the Company's profits while allowing the Company to retain sufficient capital and reserves for sustainable growth.
2. The payment and determination of dividend amount is made after considering the below factors:
 - Company's prevailing and expected results of operations and profitability (2nd interim in profitable state)
 - Liquidity position (a net cash and investments of HK\$1.24 billion)
 - Capital investment plans (including investment opportunities and development plans)
 - Market condition
3. **For 1H2021, the board declared to pay an interim dividend of HK8 cents per ordinary share in cash which is about 50% of adjusted EBITDA for the period.**
4. Going forward, the Dividend Payout Guidance is as below
 - **Recommend at about 30% - 60% of the adjusted EBITDA.**
 - Given the strong liquidity position and profit generating ability of the Company, this guidance shall prevail, **until there is significant investment opportunity appears, at which point the Board will then review the dividend policy.**



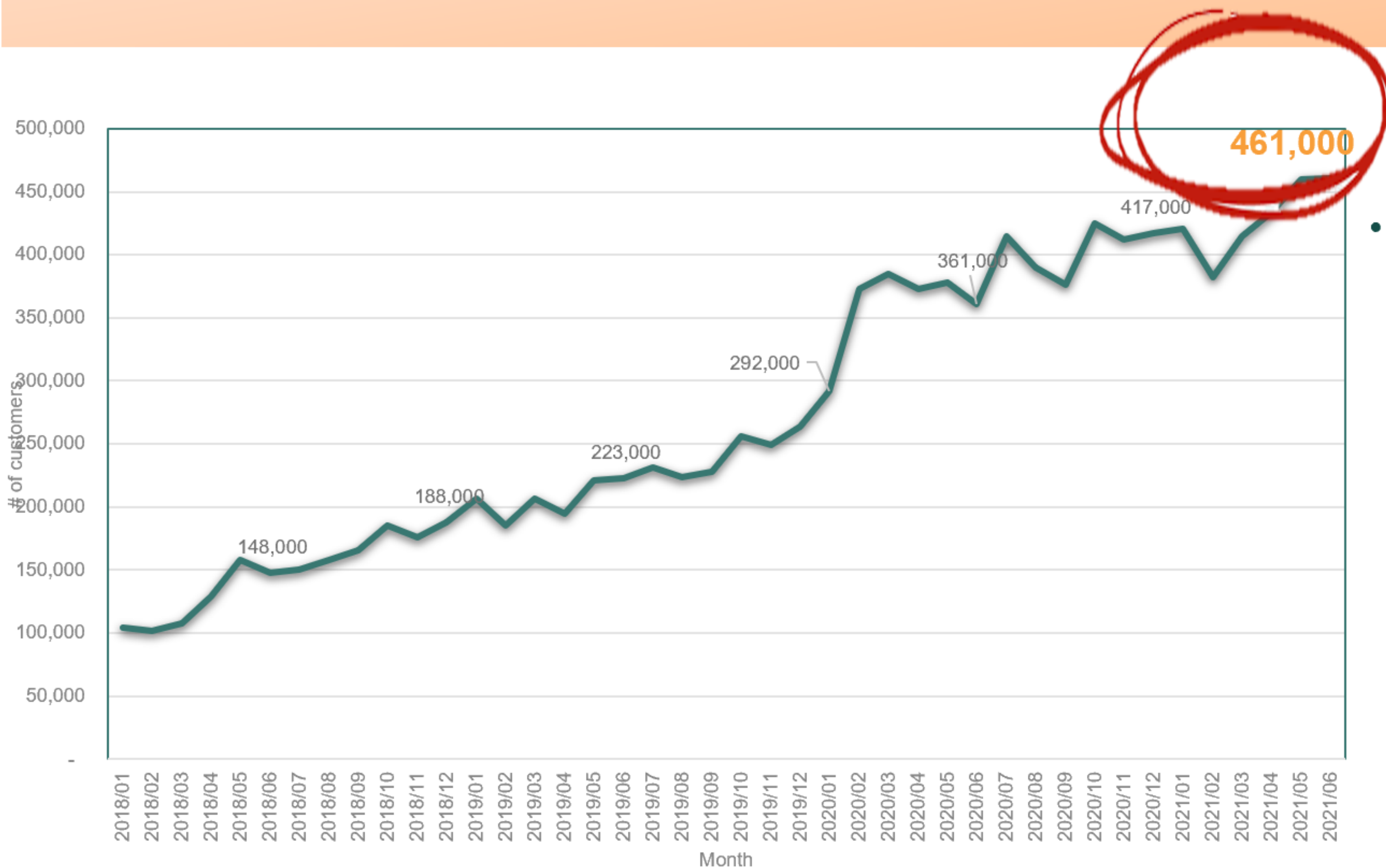
HKTV Interim Results 2021

Hong Kong Business Overview

Jelly Zhou
Chief Executive Officer (Hong Kong)



Record High in Number of Unique Customers Per Month

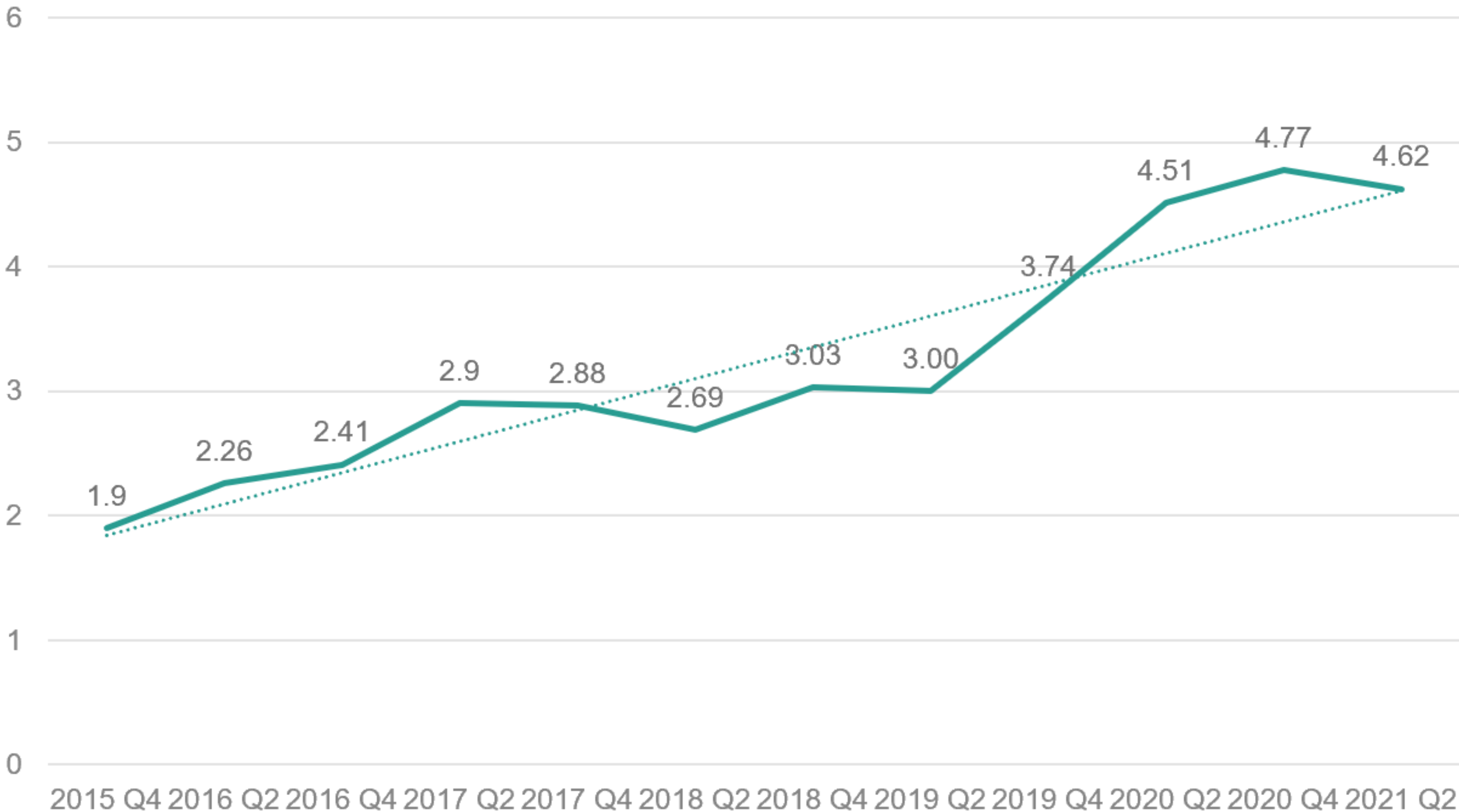


RECORD HIGH

- 27% increment in no. of unique customers purchased in Jun 2021 compared with Jun 2020
- New customer acquisition
- Purchase frequency encouragement

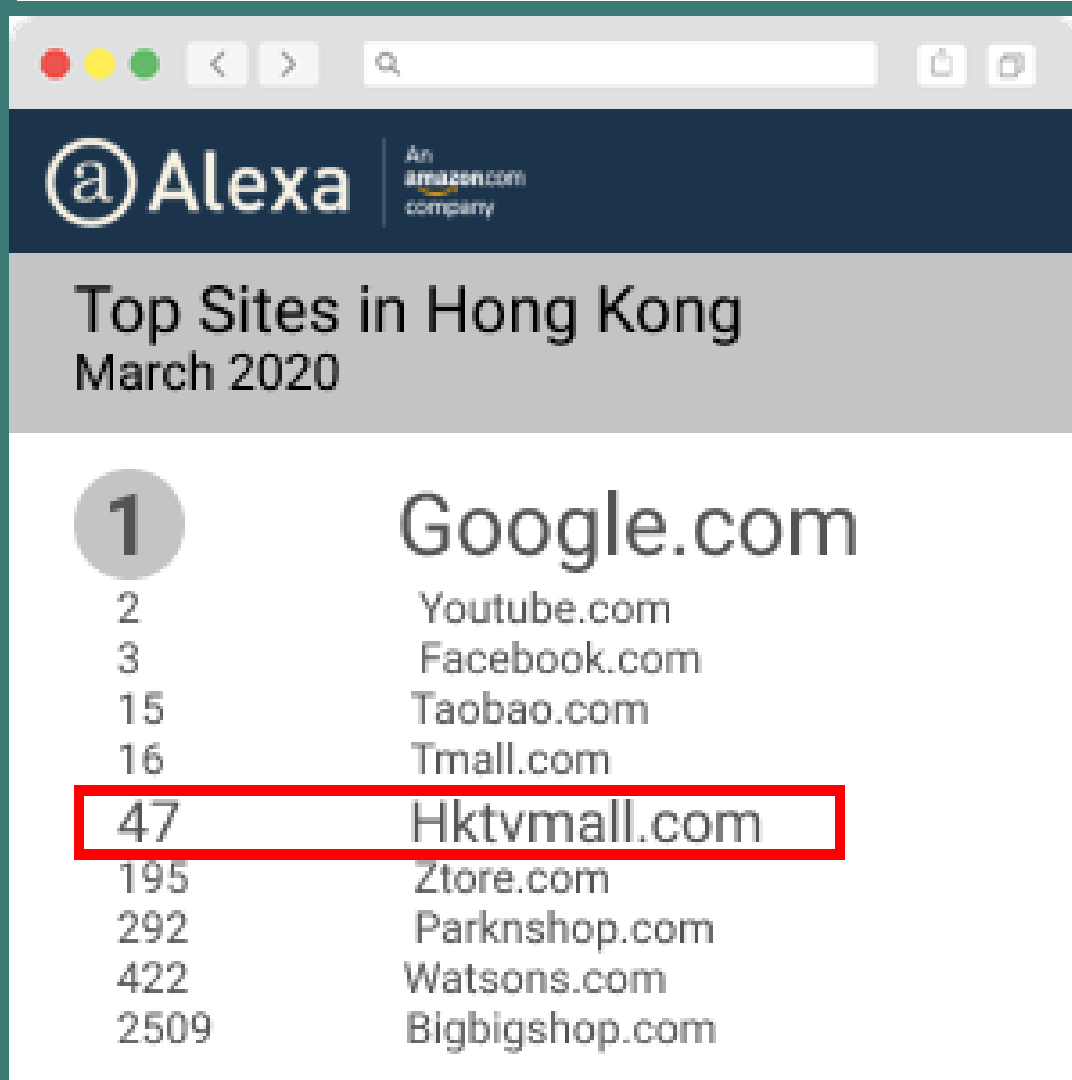
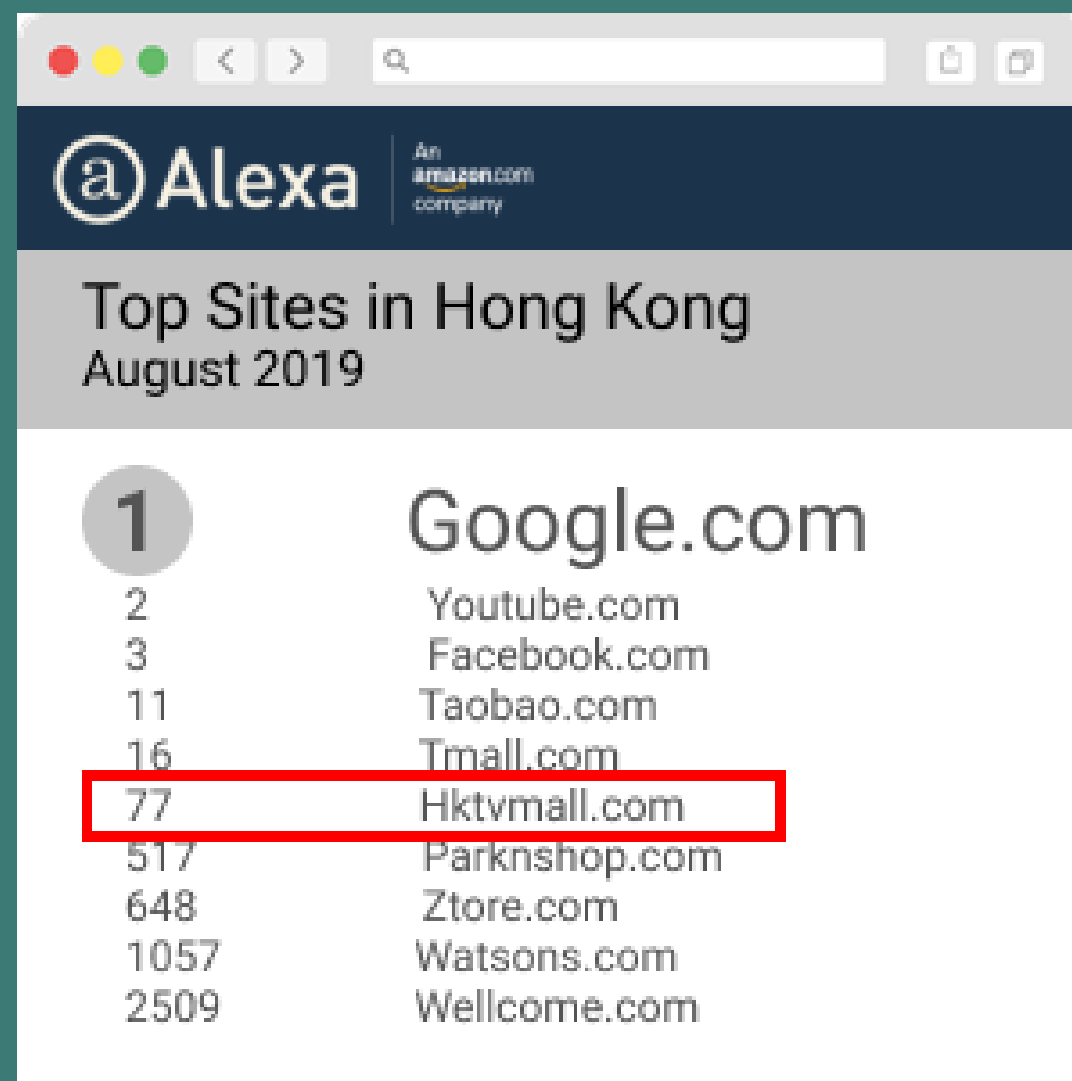
Despite Pandemic Eases, Consumer Behavioral Change Became Structural

Average Purchase Frequency per Customer



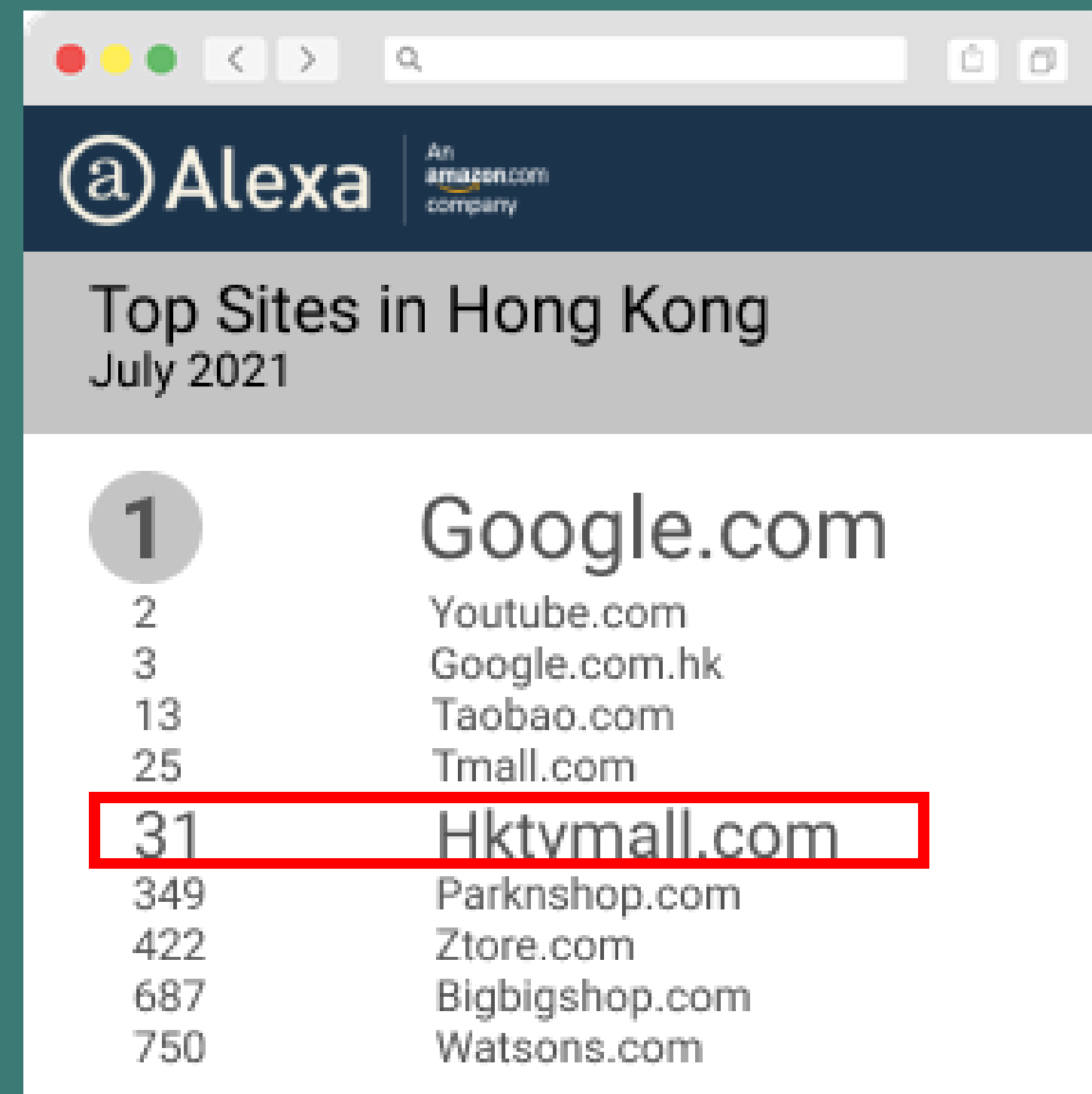
- COVID-19 pandemic has accelerated the change of consumer habits from offline to online
- Even though pandemic eases in 2021, customers keep placing 4.62 orders per quarter in HKTVMall
- HKTVMall has become an essential part of their consumption habits

Prominent Leading Position of Online Platforms in Hong Kong



HKTVMall.com

ranked **#31** in Alexa Top Sites in Hong Kong (July 2021)

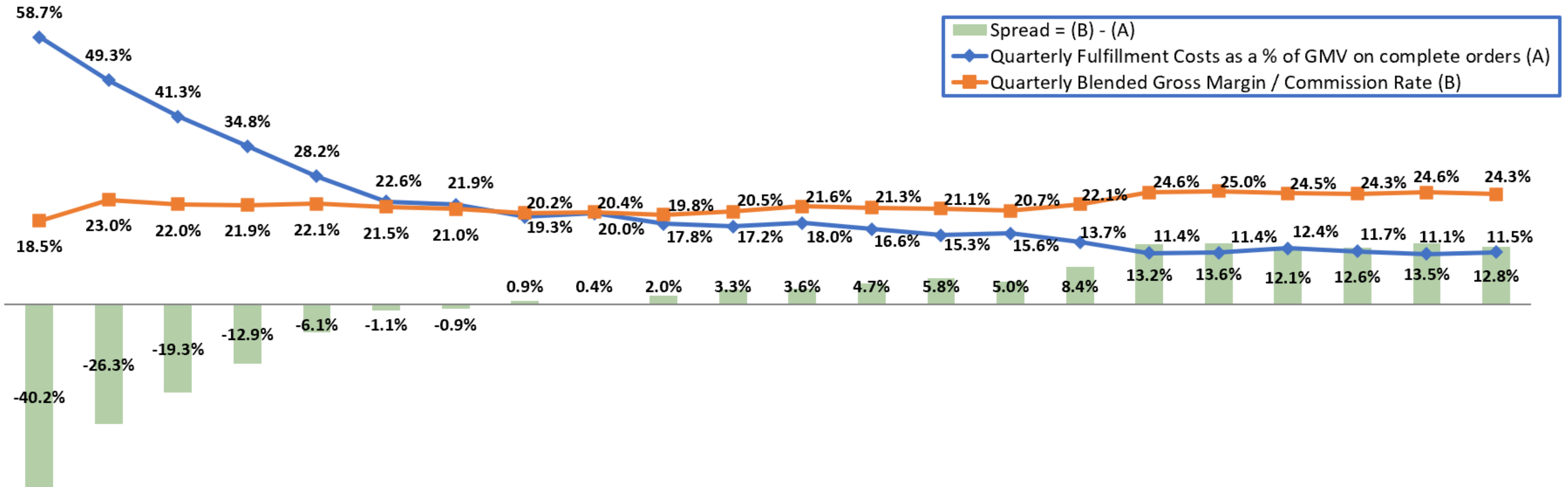


- Traffic ranking among Hong Kong sites increases over the years, while others with ups and downs
- High engagement with customers in daily lives

Source: Ranking – Alexa

The 1-month rank is calculated using a combination of average daily visitors and pageviews over the past month

Stable Spread for Profitable Ecommerce Business



Disciplined control on fulfillment costs in Q1 & Q2 brought a stable spread for profitable eCommerce business.

Remarks

Quarterly fulfillment costs as a % of GMV on completed orders for year ended 31 December 2019, 31 December 2020 and six months ended 30 June 2021 are adjusted to exclude interest on lease liabilities of HK\$4.8mn, HK\$5.9mn and HK\$2.5mn respectively which arising from the adoption of HKFRS 16 since 2019.

A Strengthened Digital Ecosystem - Newly Launched HKTVexpress

- HKTVexpress delivery and food takeaway service covers 3000+ renowned restaurants, O2O shops and merchant stores
- Covering additional service area for existing customers



A Strengthened Digital Ecosystem - Live channel

- 70 live shows with no. of total views over **1,890,000** in June 2021
- Merchant Live show is an effective sales channel
 - Average over **26x** GMV increment
- ☐ A rising channel for advertising income



Source: Viewership and GMV – Internal platform and systems

Number of total views represents the number of times a live show window visible on the screen

GMV increment represents the difference between average daily GMV in past 30 days and GMV generated in 24 hours from the beginning of live show in July

A Strengthened Digital Ecosystem - Close Engagement With Elderly Segment



Game Player vs. Non-Game Player*

Visit
Frequency

+ 204%

Basket
Size

+ 40%

GMV

+ 128%

*Comparison of game player and non-game player performance in 1H 2021

Source: Visit frequency – Google Analytics

Basket Size and GMV – Internal platform and systems

What's next?



Accelerating Online & Offline Synergy

- 3-in-1 Business Model



- O2O shop serves much more than an education centre to draw consumers from offline to online
- Leverage on the strong network of O2O shops across different districts to provide wide range of products to Hong Kong consumers through a brand new 3-in-1 business model
- Maximize shop capacity in a cost effective way for business expansion and new customer segment exploration

In 1H 2021

55%

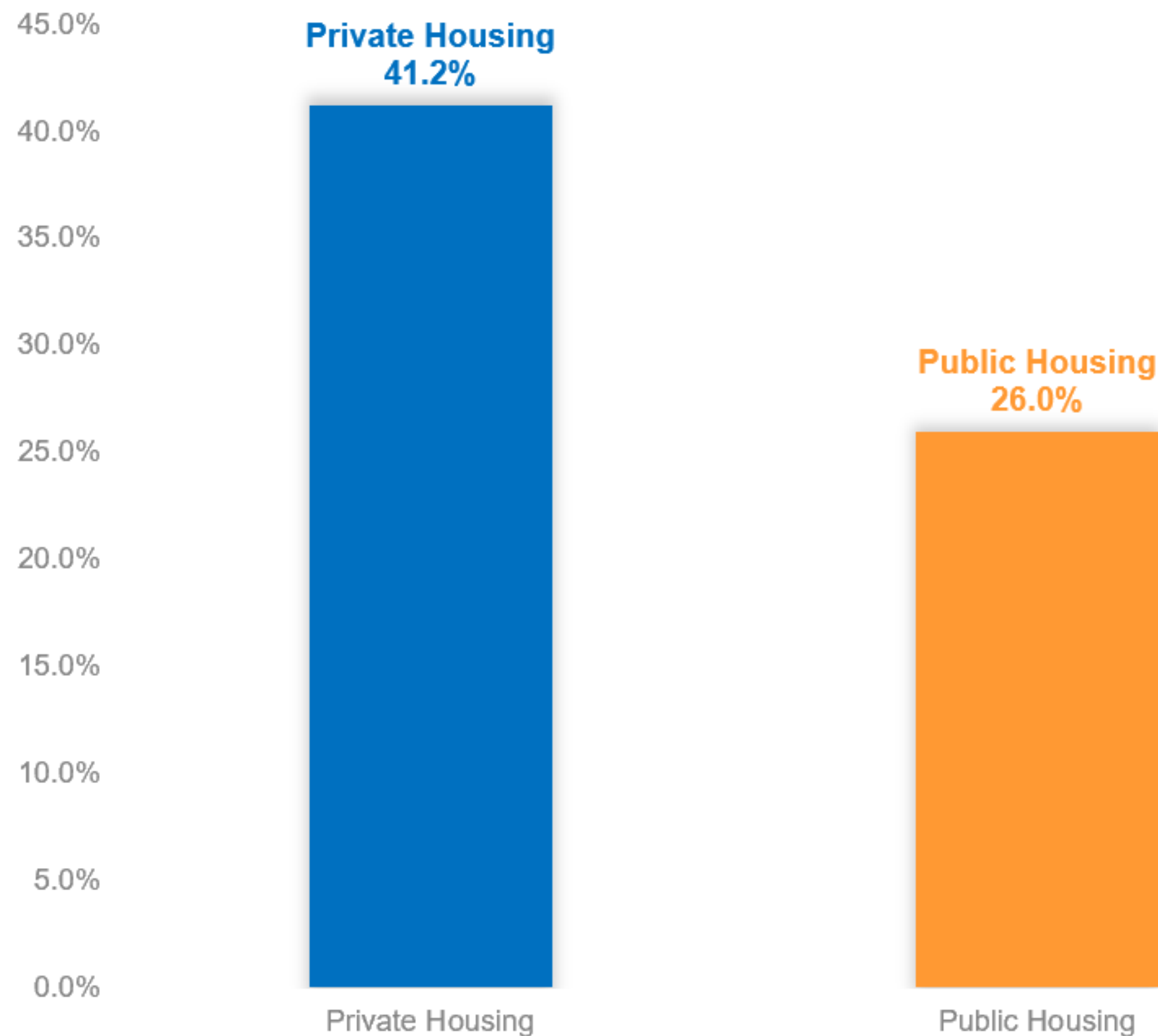


of new customers first touch point are with offline shops

We Are Preparing for Future Growth

- Different Strategies for Different Housing Type Customer Segments

HKTVMall Penetration Rate in Different Housing Types



- High potential for further growth in both private public housing customer segment
- Expanding variety of products and services for private estates
- Daily necessities promotion for public housing residents

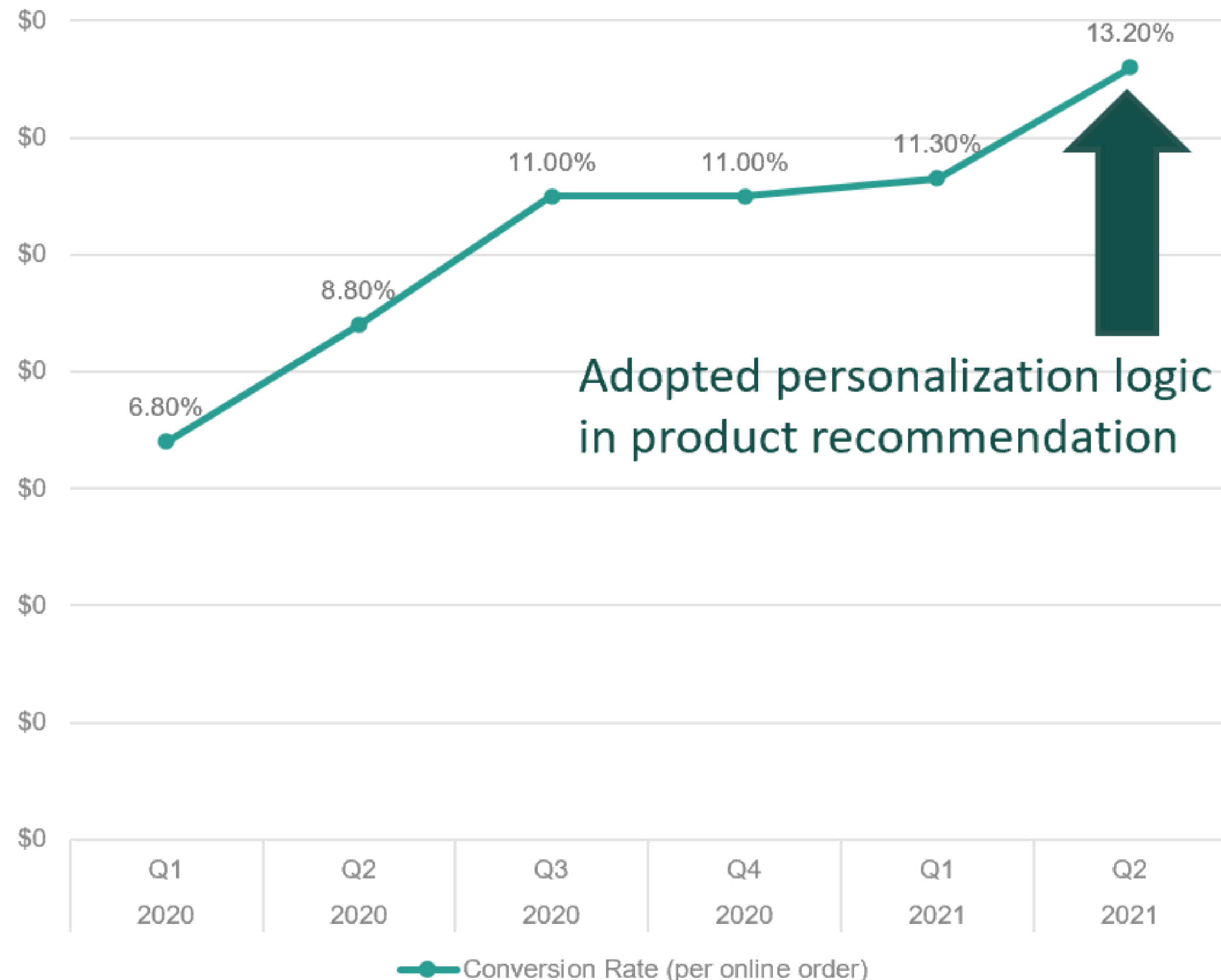


Source: 1H 2019 – 1H 2021 Penetration rate – Internal platform and system

Penetration rate represents the percentage of the residential units covered in HKTVMall delivery service that has an order delivered to the unit at least once during the period

Adoption of Personalization Empowered by Big Data

Add-on Order Trend - Quarterly



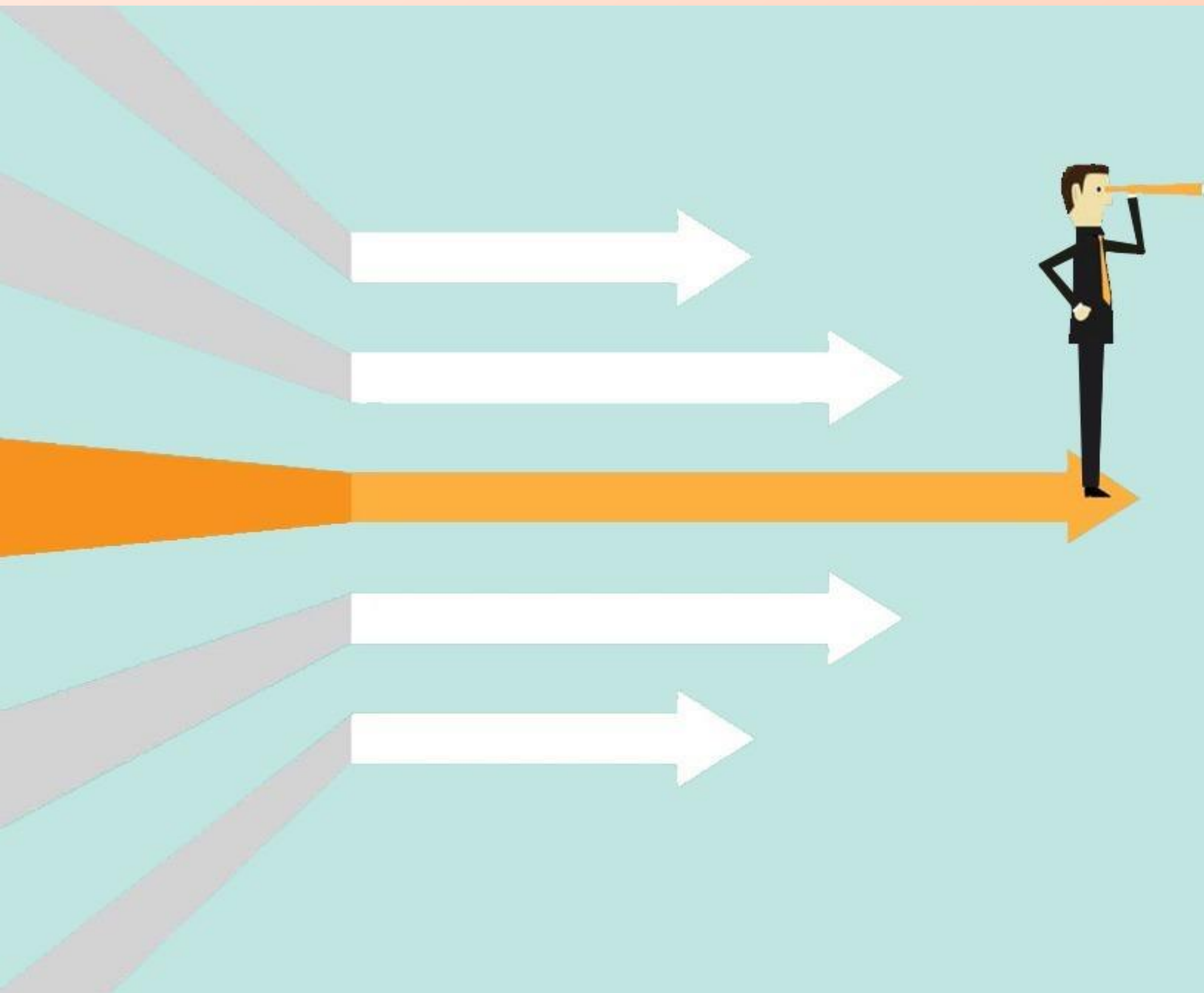
- With over 600,000 SKUs and multiple services available on HKTVmall, the consumer behavior is more sophisticated than other online platform. The Big Data we collected is unique and comprehensive.
- Application of our Big Data to empower personalization brings us high accuracy and relevancy, unlocking the further growing potentials.
- A significant increment in add-on order conversion rate is identified after adopting personalization logic based on customer purchase & browsing behavior

GMV per add-on order **>\$100**

Source: Conversion rate – Internal platform and system

Conversion rate per online order means percentage that a customer places an add-on order right after an online order

A Cash Cow For The Group's Further Growth



- The new lease of 8/F of Mapletree Logistics Hub for additional fulfillment capacity in Tsing Yi
- With the Digital ecosystem, HKTVmall is evolving from an online shopping platform to an online life platform, making betterment of our lives



HKTV Interim Results 2021

Updates on International Business

Kenneth Lau
Chief Executive Officer (International Business)

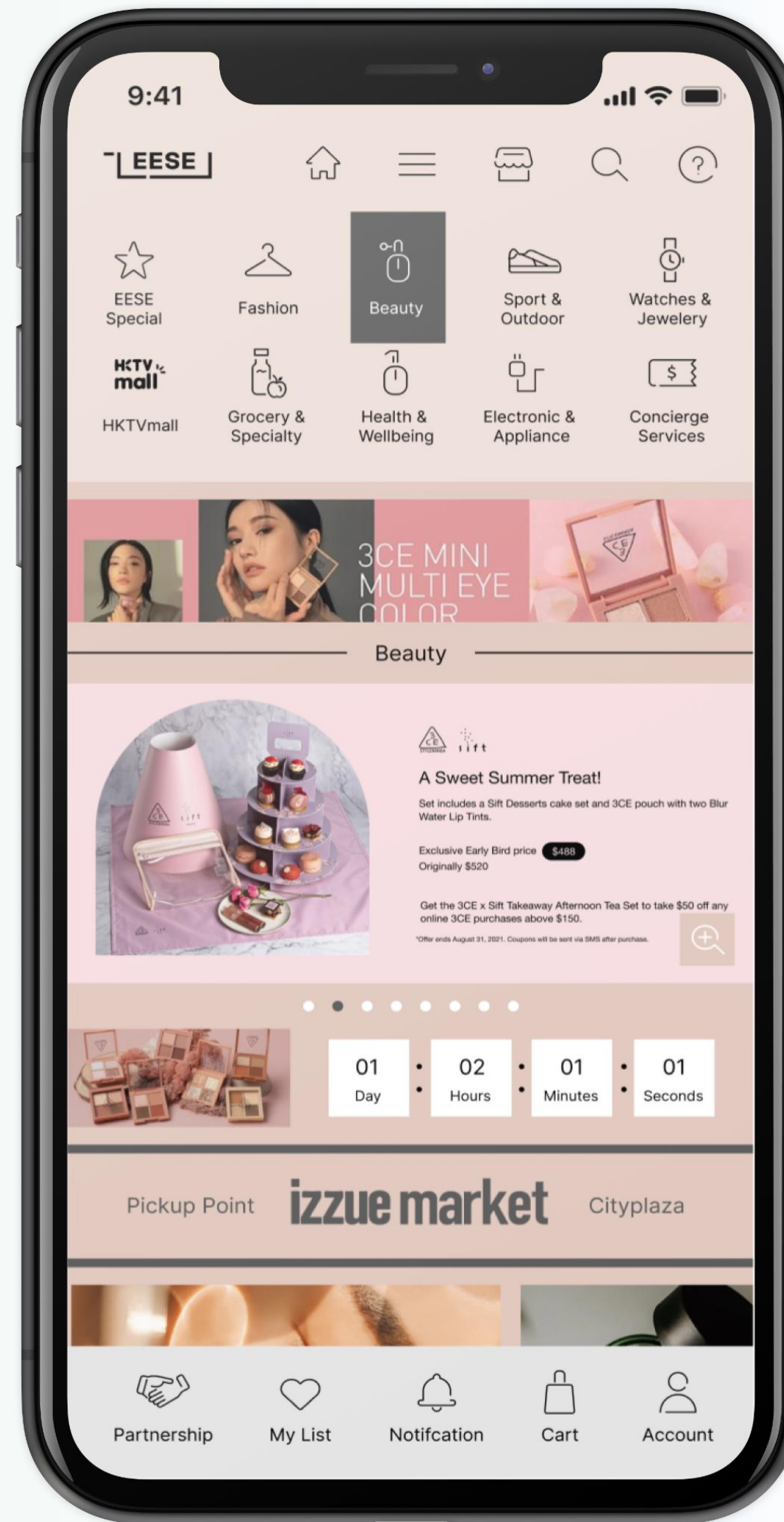


Exciting First Year Journey



 **KALCare**

Your Health Care Solution

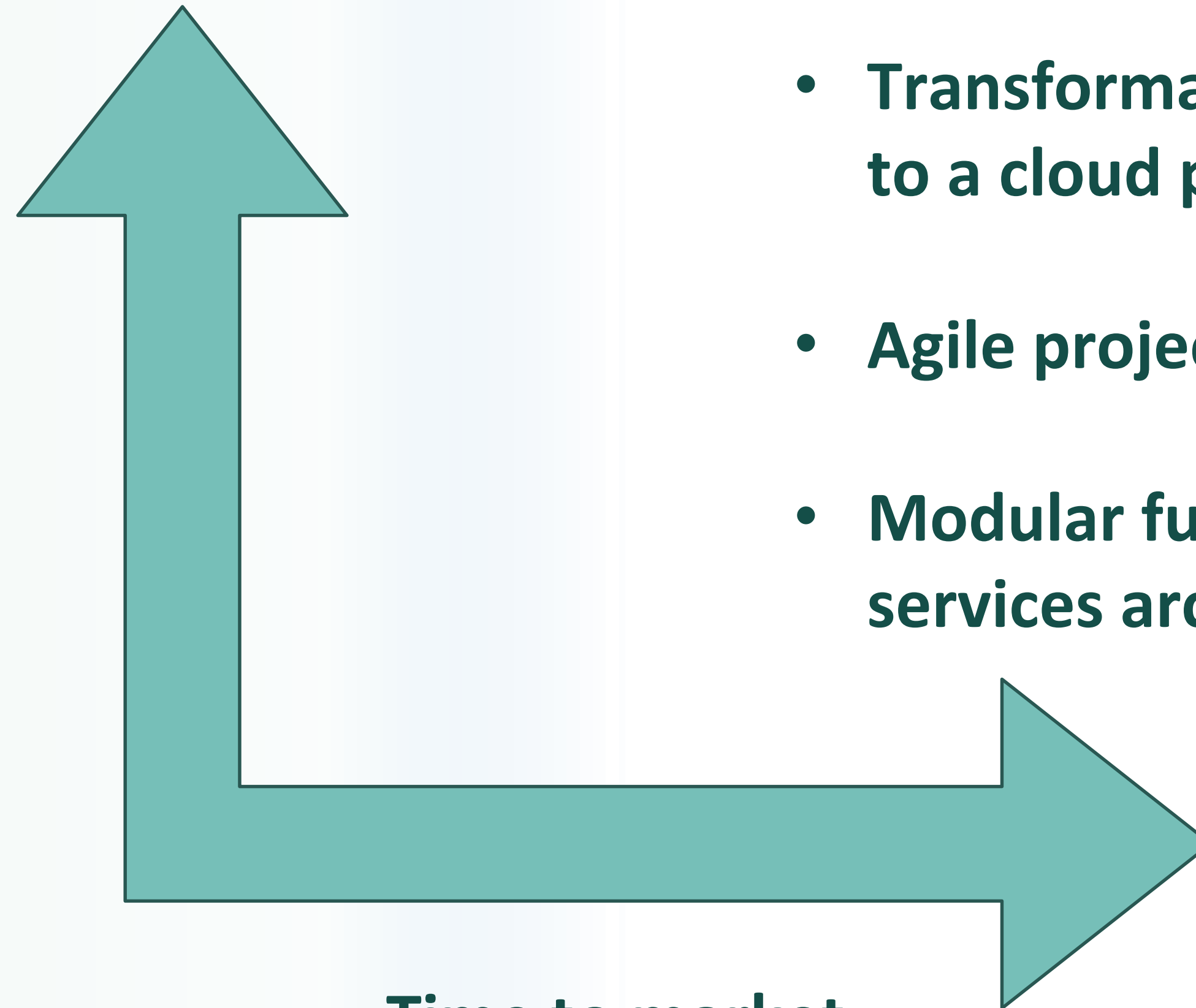


- **1st overseas office in Taipei, over 100 technical staffs, total 300**
- **1st online shopping mall powered by Shoalter technology, EESE launching in 2021 Q4**
- **1st standard patent application filed in Aug with IPD HK – Automated Retail Store and Systems**
- **1st overseas online shopping mall project specialized on health & wellness in Indonesia**

Foundation for Solution Business

Differentiation

- **Service Differentiation**
 - Project management
 - Service availability
 - Account servicing
- **Product differentiation**
 - 3P platform
 - one system, multiple shopping mall*



**Time to market,
Implementation speed**

Winning speed, 6 – 9 months launch

- Transformation of HKTVmall systems to a cloud platform solution
- Agile project management
- Modular functionality & Micro services architecture

One system, multiple shopping malls

Merchants



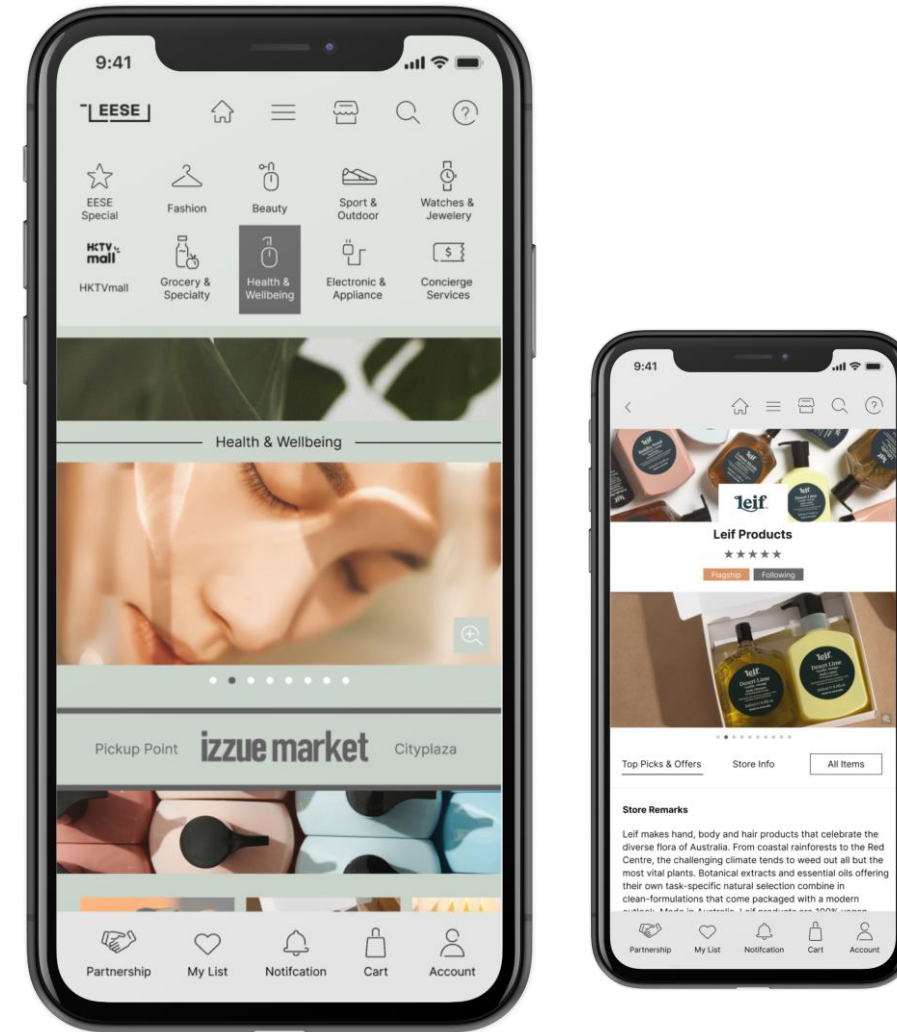
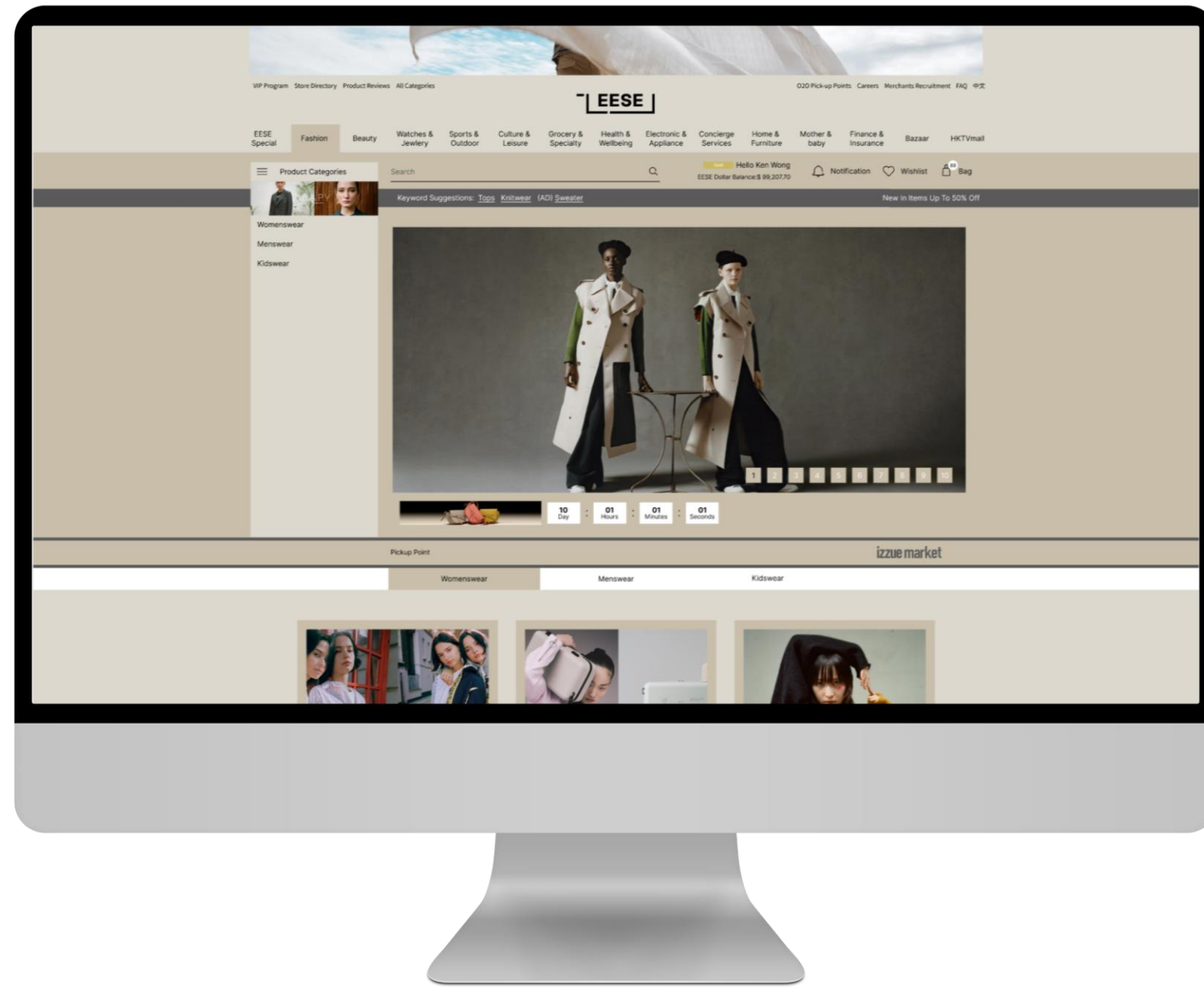
HK Merchant can use single merchant portal for

- Manage product portfolio
- Update product information
- Inventory management

Single inventory pool to serve all shopping malls, with allocation programmed

Business Update - EESE

Launching in 2021 Q4



Testing and Commissioning

Specification & Planning

Design & Development

- Operate by I.T , in final stage of system testing
- Upscale merchants, brands and product portfolio
- Different category focus, e.g. fashion lifestyle, sportswear
- Webinar in June for merchant recruitment
- HKTVmall supported marketing campaigns & traffic diversion on launch

First oversea project - Indonesia



Health & wellness marketplace

- Kalbe Farma Tbk, found in 1966, and is the leading pharmaceutical company publicly listed in Indonesia
- Annual sales of USD 1.6b in 2020 and market cap of USD 4.5b as of June 2021
- Establish an ecommerce platform with 3rd party seller capabilities
- Potential expansion to other SEA countries & Taiwan



HKTV Interim Results 2021

Strategic Direction and "Unmanned Store" Update

Ricky Wong
Group CEO



Overall Strategy

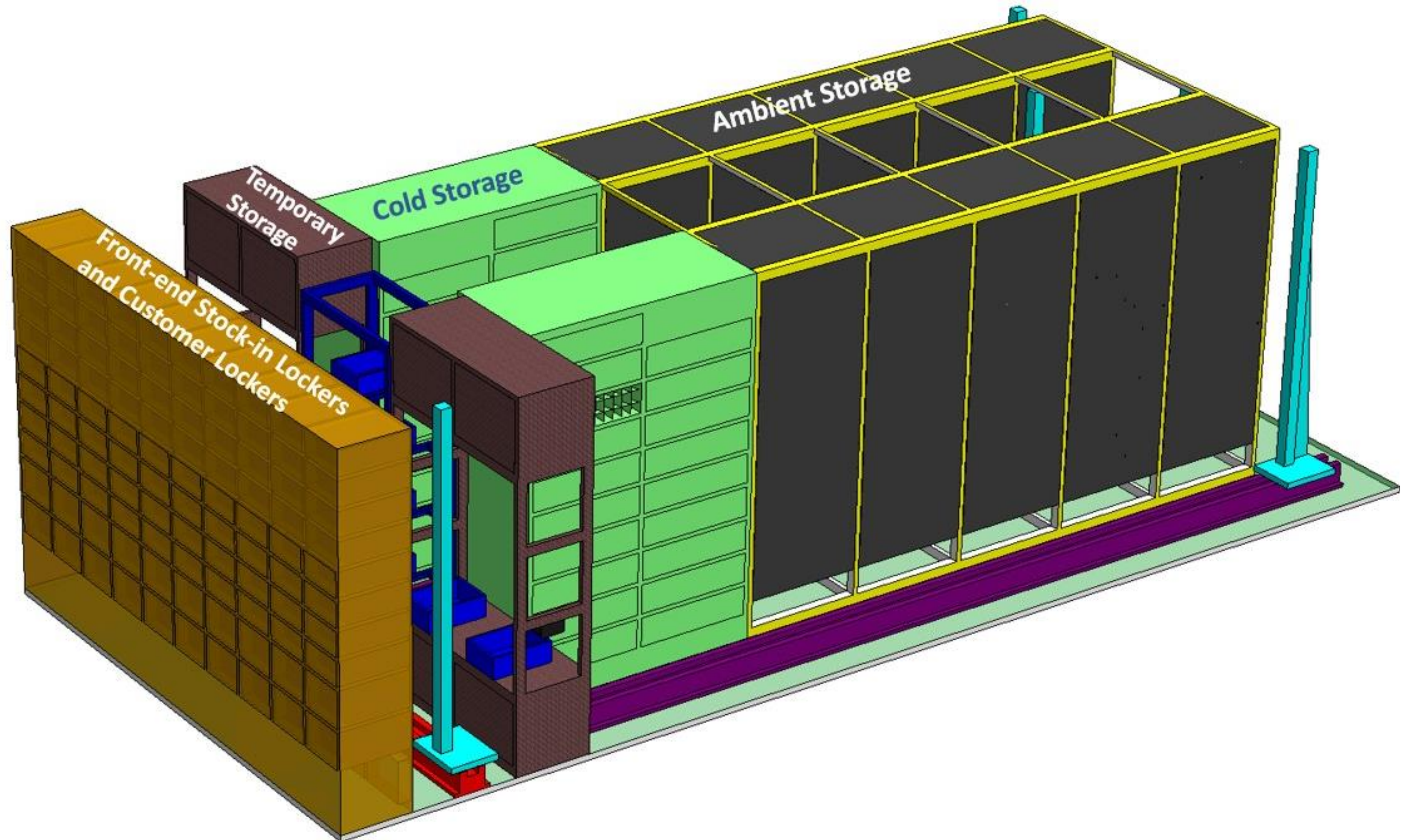


1. Based on HKTVMall operations as cash cow
2. Based on HKTVMall's knowhow and experiences, and Shoalter's systems & technology solutions, expand to untapped overseas markets
3. Shoalter provides technical solutions to partners who are experts in their industries
4. We target to have approximately 50% profit coming from technology business under Shoalter in 5 years' time

Unmanned Store

1. Based on past 7 years online shopping and designing automated system experiences, Shoalter invented a new “unmanned store” solution
2. We designed the mechanical parts and software control, patents filed on 4 August 2021
3. Fully automated
 - Taking consumer orders
 - Picking and passing products to consumers
 - Replenishing stocks to store
4. 24 x 7 operations without any human staff
5. Better utilization of shop space, can store stock with doubled volume
6. Schedule :
 - First unmanned store installed in Europe: **1st half 2022**
 - Total ~10 unmanned stores installed in Europe: **2nd half 2022**

Unmanned Store





Thank You



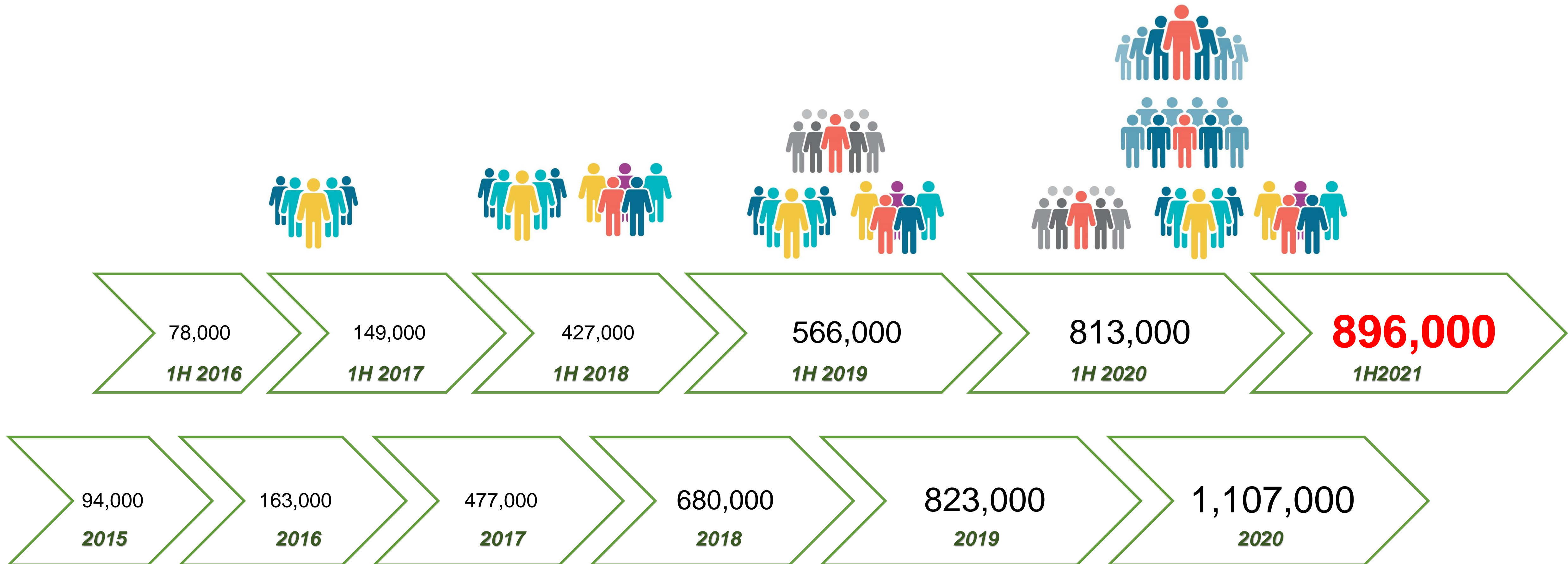
HKTV 1H2021 Results

Appendix



Unique Customers who had made Purchases at HKTVmall in 1H2021

Combined Unique Customers (rounded to the nearest thousand)



Expanding Offline Pick-Up Format Covering 210+ Points

HKTVMall O2O Shops

Win-Win Outsourced Pick-up Partners

Now :94

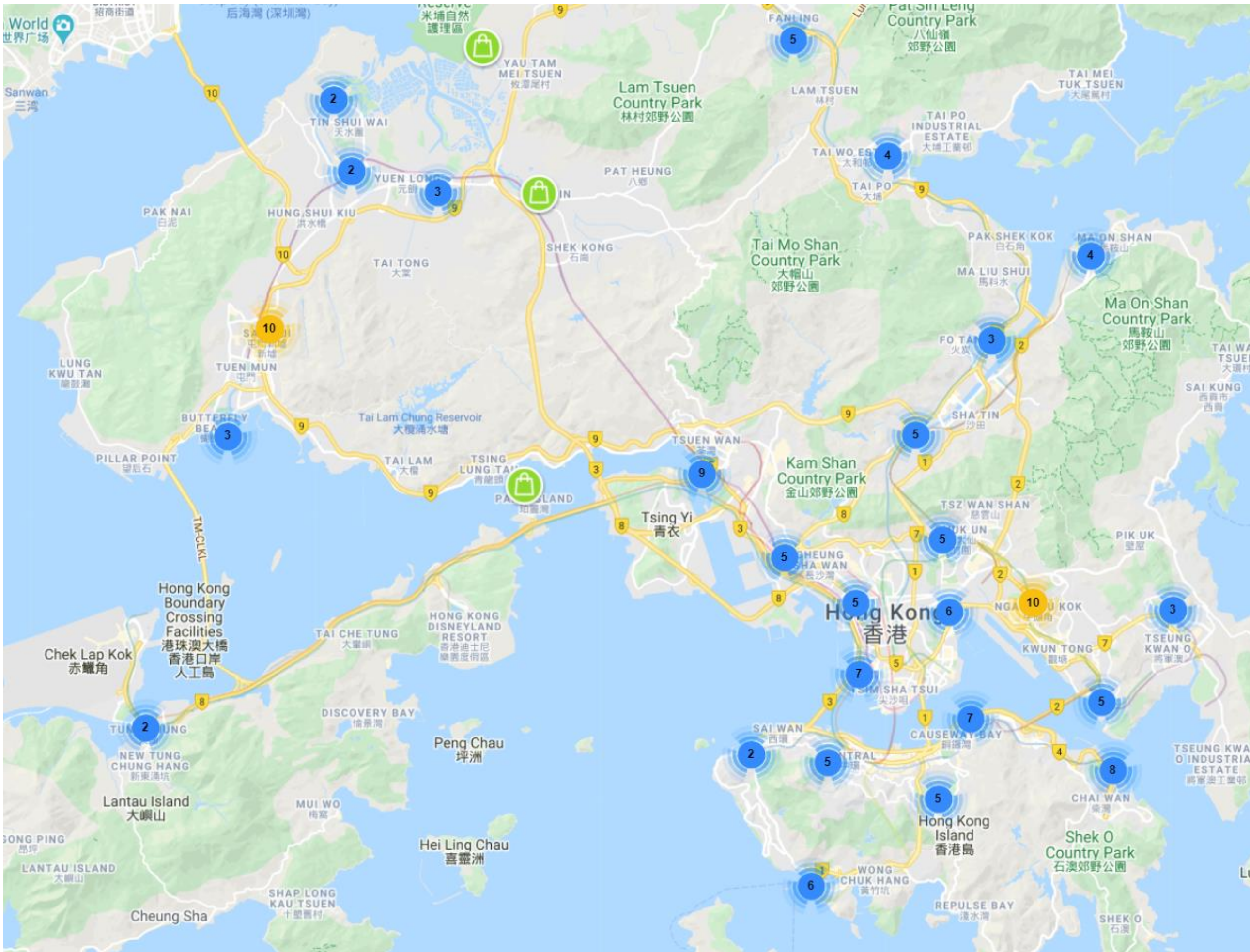
Dec 2020 :68

Dec 2019 :60

Dec 2018 :39

Dec 2017 :15

Dec 2016 :1



Now:
Outsourced Pick-up points: 18



Now:
E-lockers: 98

智能櫃自取點
!登場啦!

購物滿\$200即可選擇於智能櫃自取

Stabilized Frequency and Categories under Improved Pandemic



Quarterly Average Purchase **Frequency** per Customer:



Quarterly Average Purchase **Categories** per Customer:



Fair and Transparent Online Shopping Mall

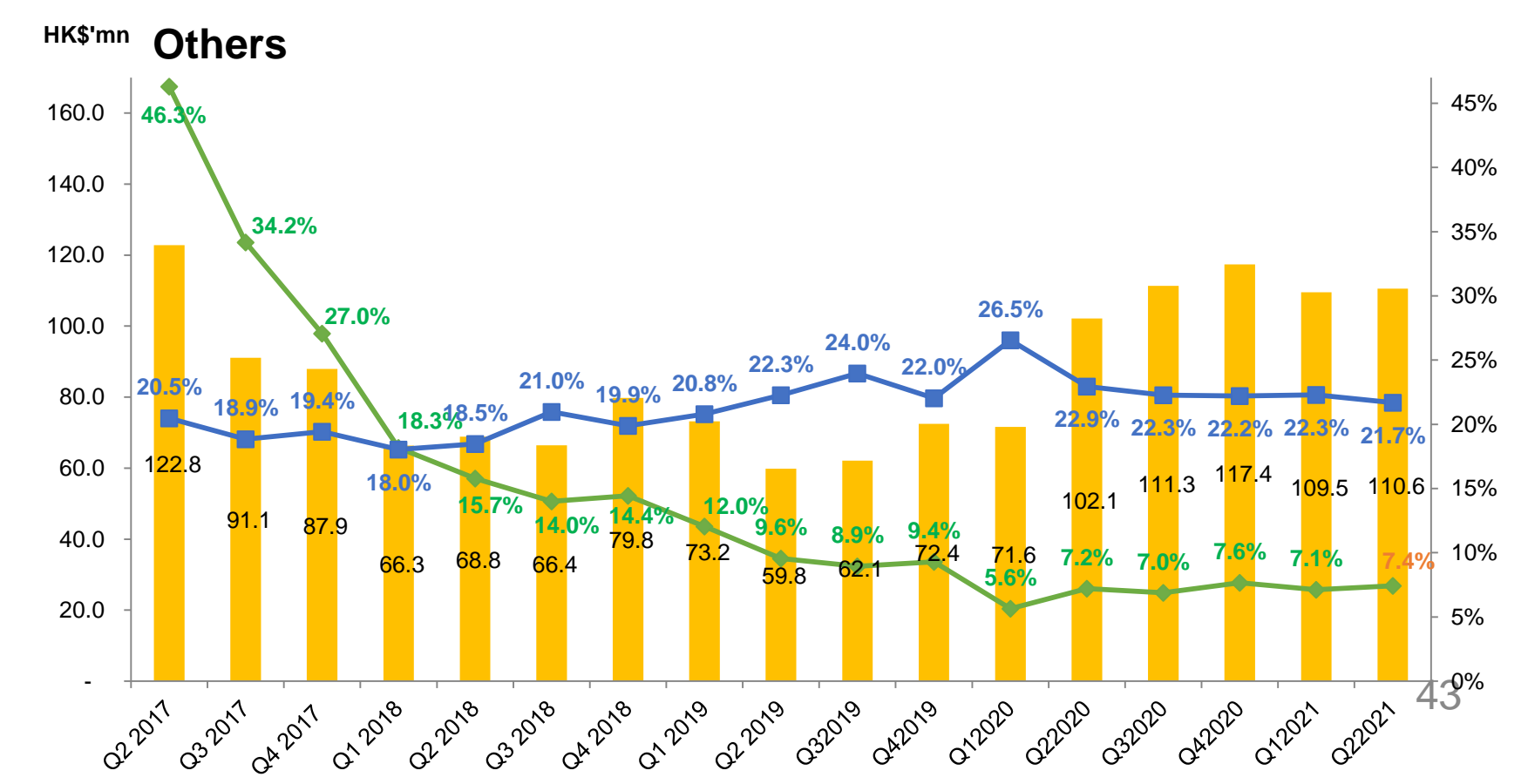
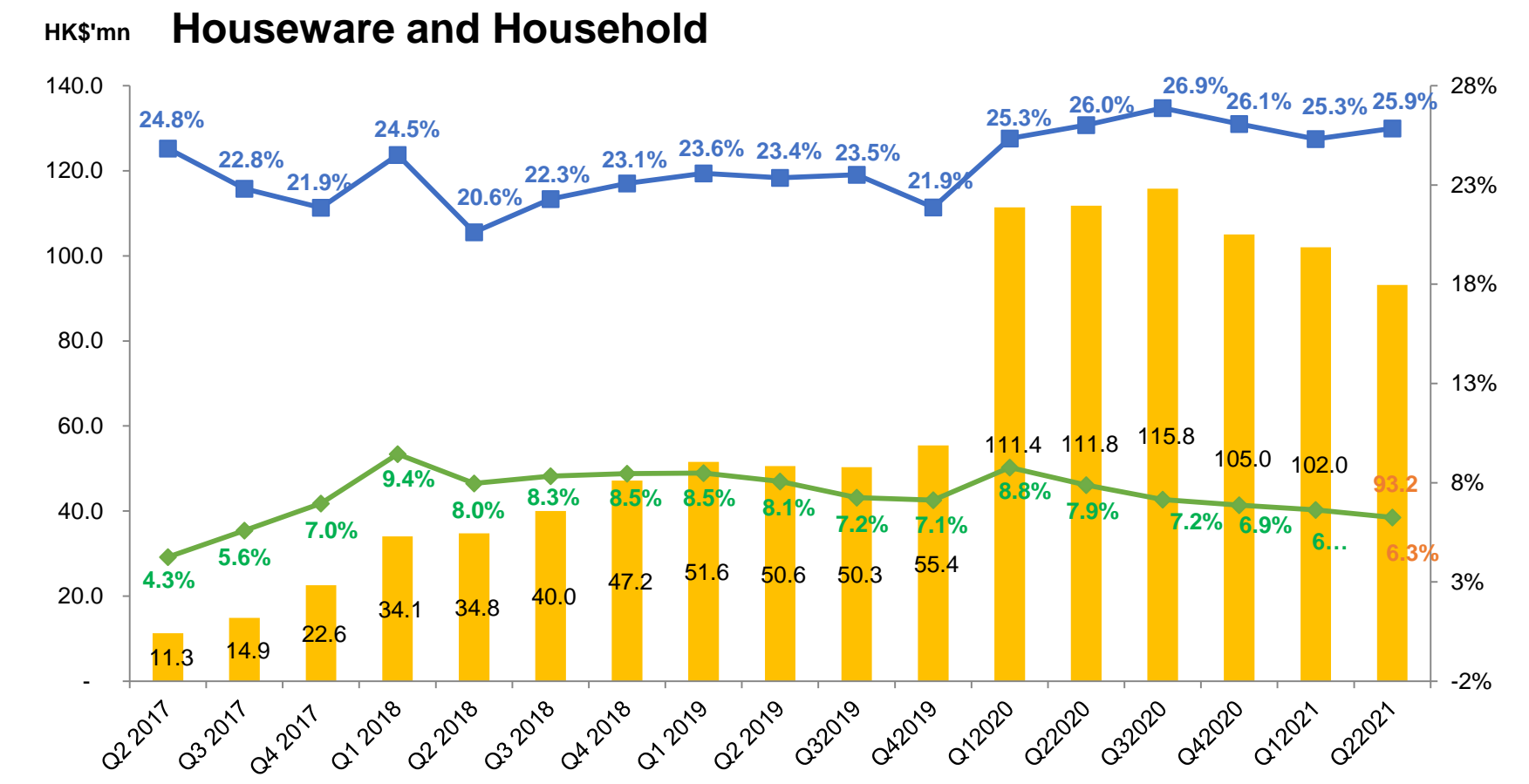
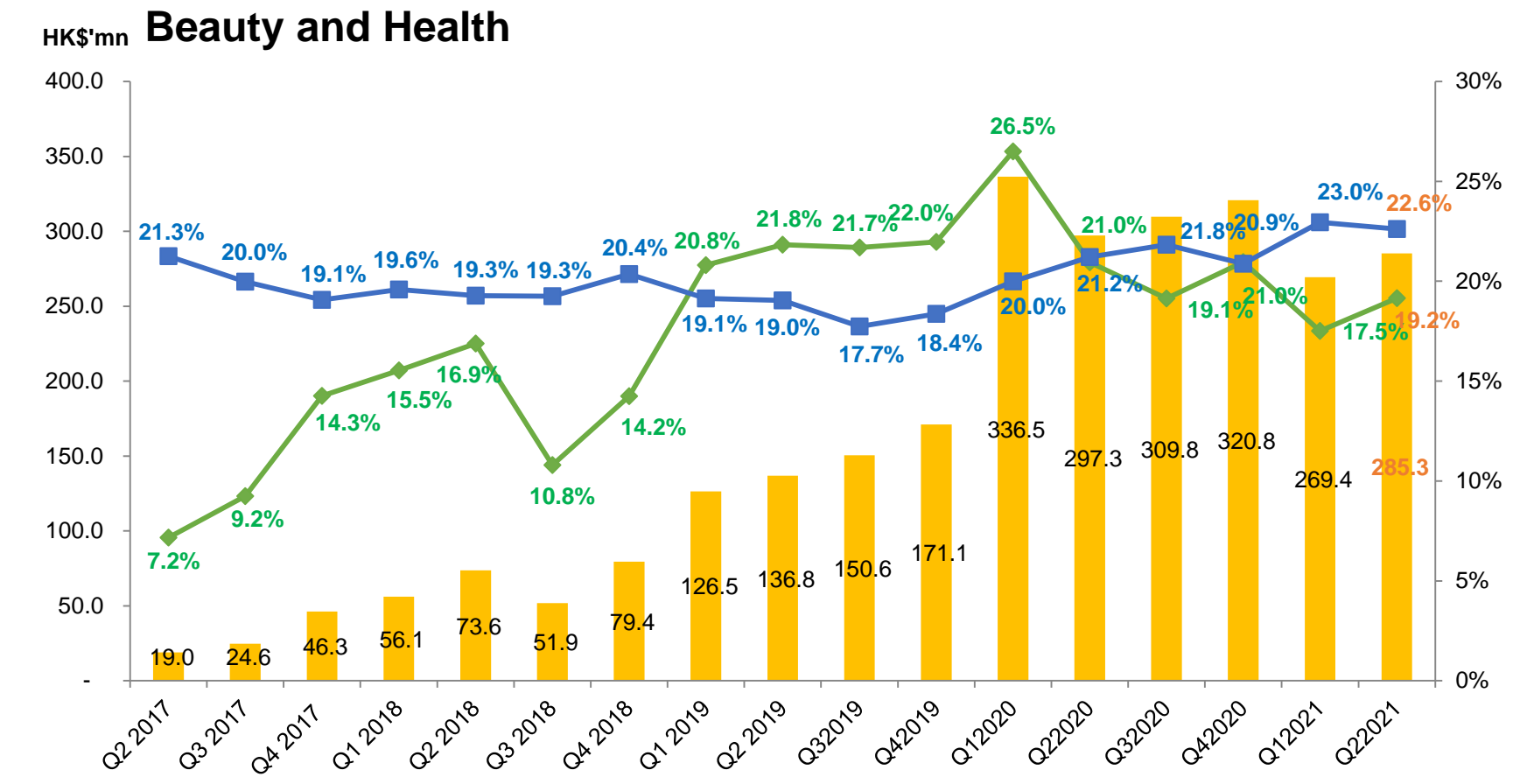
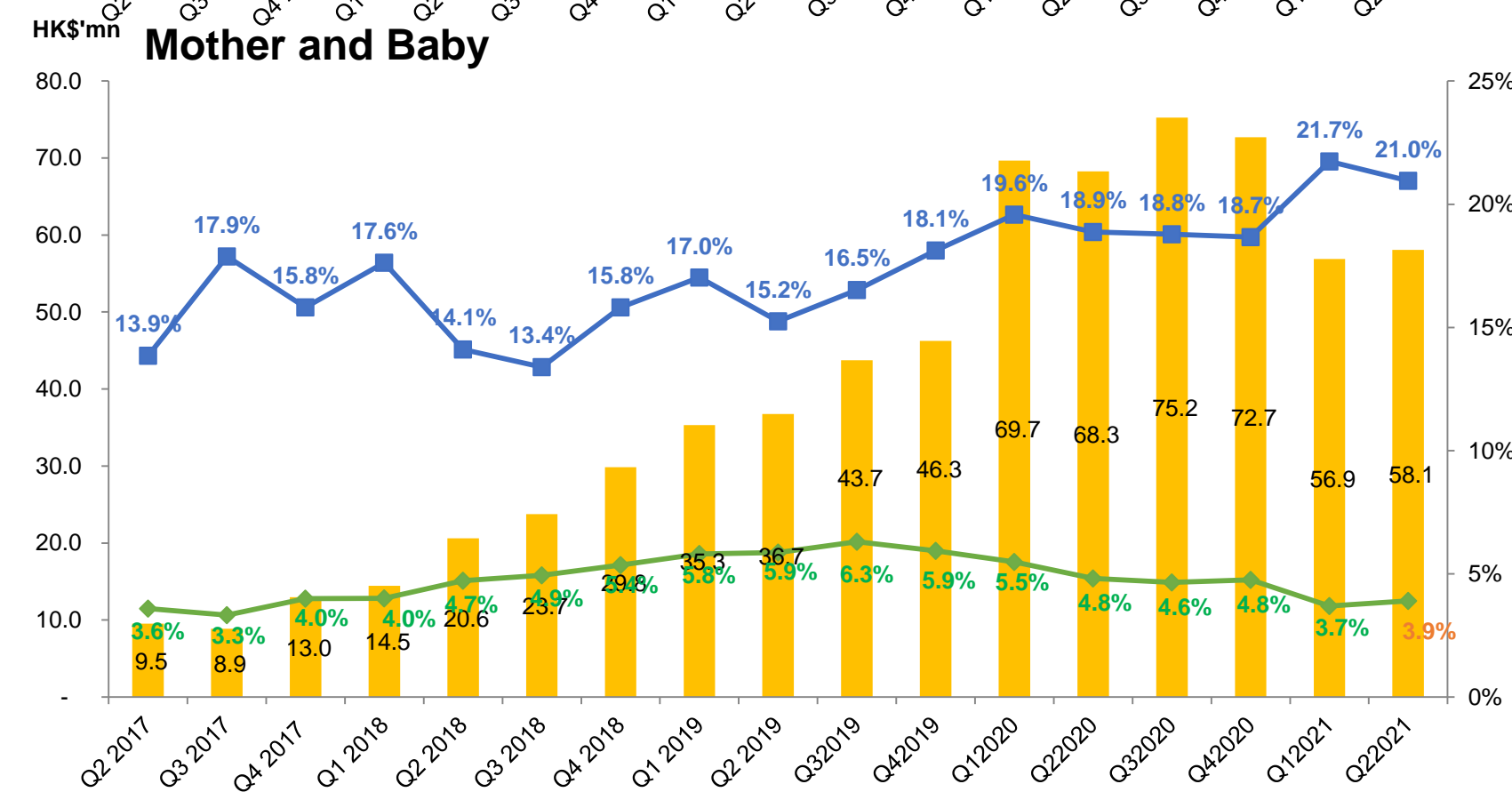
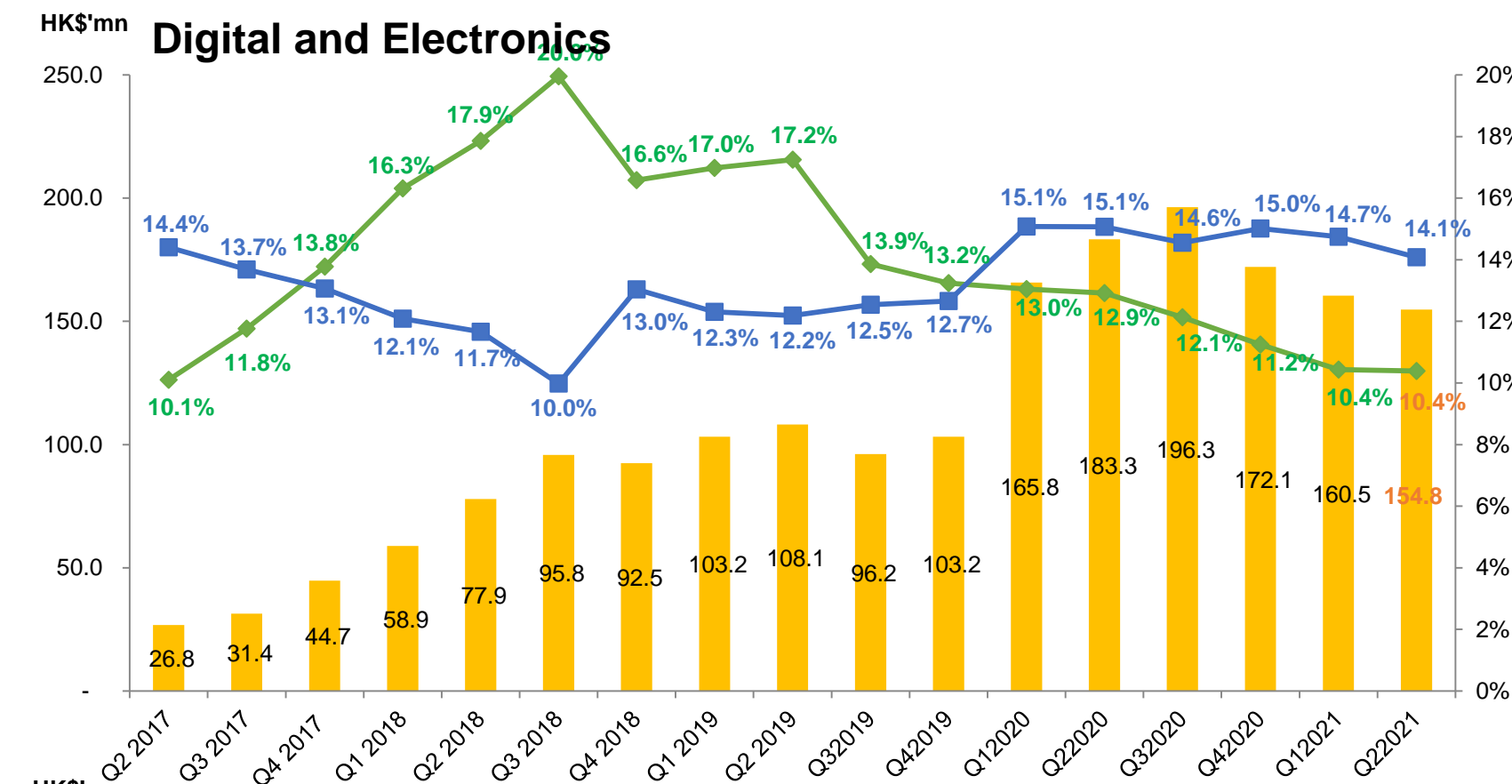
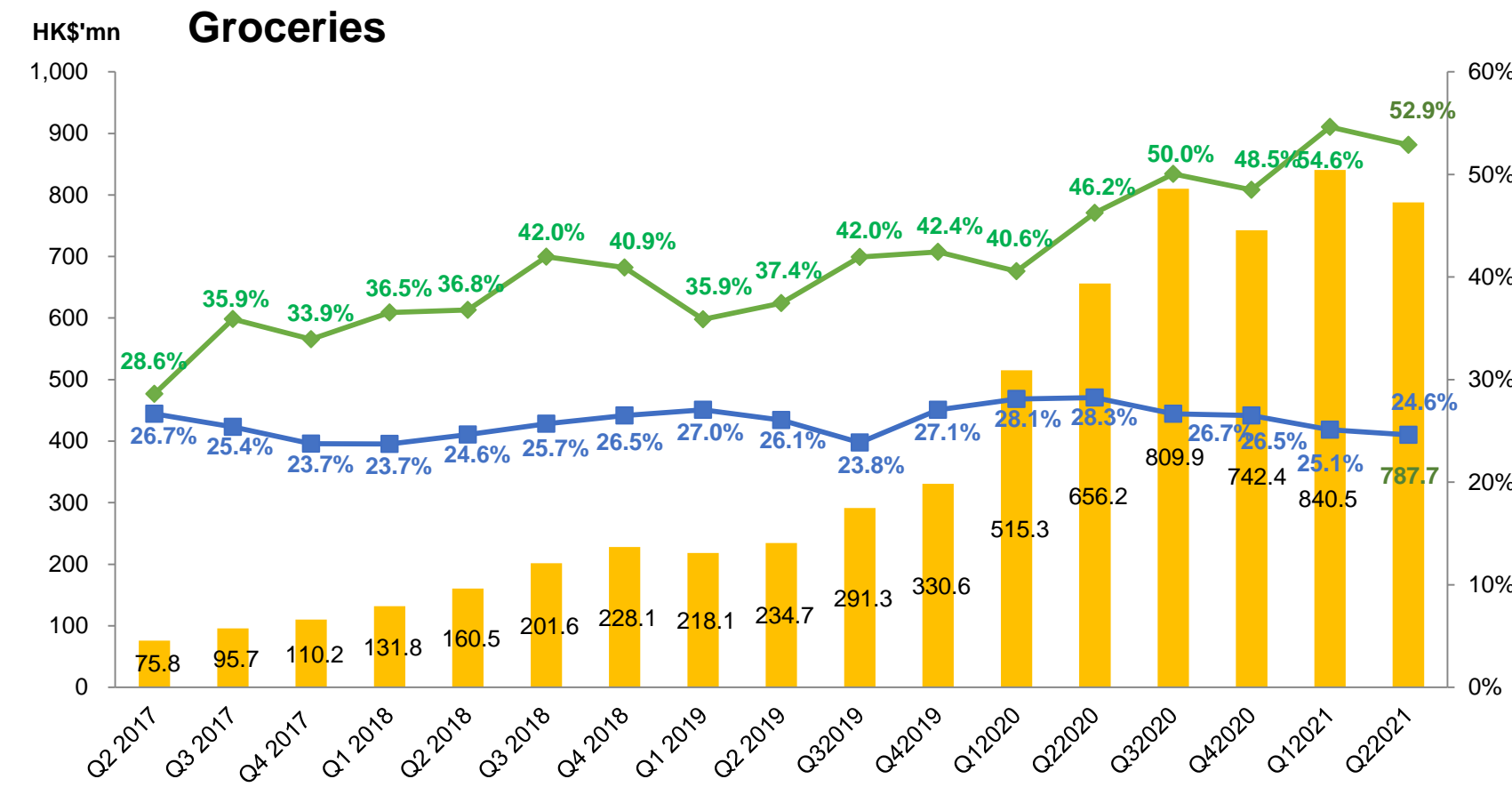
Gross Profit and Blended Commission Rate Performance

- Standardized Categorical Commission Scheme from 1 Jan 2020
- Unified Delivery Method
- Annual fee with in-mall and digital advertising value

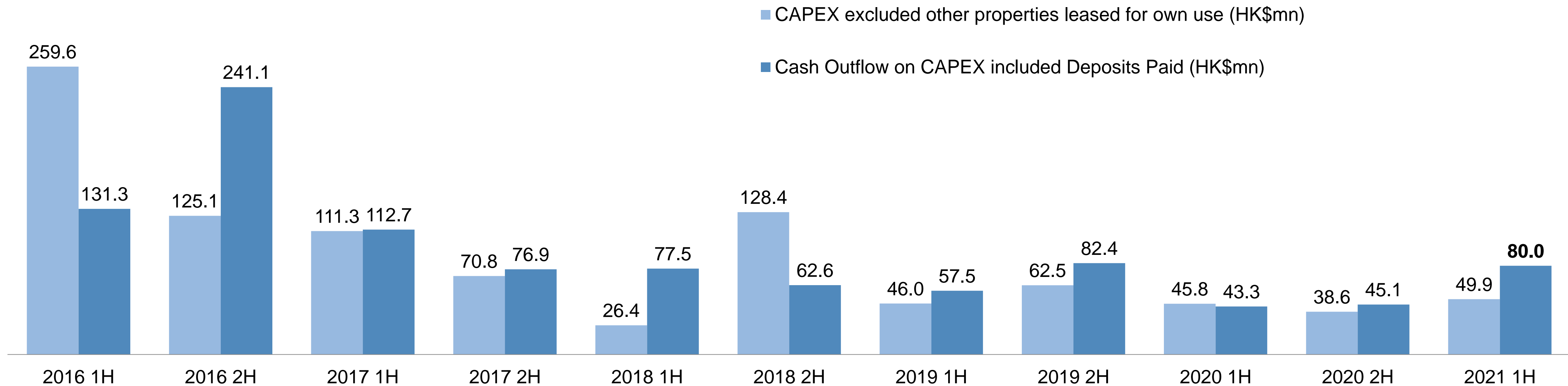
Quarterly Proportion GMV

Quarterly GP %

Basis: GMV on Completed Order



Managed CAPEX for Sustainable Growth



As announced in 1H2021 interim results, the Group has a scalable 3-year CAPEX plan of HK\$400mn for sustainable business growth, mainly include:

- a) **HK\$200mn Structural and machinery costs for expansion of 50,000 Sq Ft for automated fulfillment centre mainly** for merchant business expansion;
- b) **HK\$110mn Expansion of logistics fleet** of 200 – 250 new trucks;
- c) **HK\$40mn facility costs for Setting up the 6th fulfilment centre with automation**
- d) **Server end capacity provisioning** for order growth flexibility and upcoming data and solution business expansion.

Overall, pproximately HK\$38.6mn was capitalised in 2H2020, and further capitalised approximately HK\$49.9mn in 1H2021, represented a total of HK\$88.5mn.