

# Corporate Presentation



HONG KONG TELEVISION  
NETWORK LIMITED  
香港電視網絡有限公司  
SEHK 香港交易所股份編號: 1137



**Building Blocks**  
For the Future

28 December 2018

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Certain information in this presentation is extracted from Google Analytics and rounded to the nearest thousand. The computation method and basis of which have not been verified. The data could be overlapping (a) between TV Programme Platform and Online Shopping Platform if the same user is watching our TV programmes and browsing the online shopping mall at the same time; (b) between different type of devices among TV Programme Platform and among Online Shopping Platform if the same user using more than one devices for watching TV programmes and/or browsing our Online Shopping Platform at the same time; (c) or the same user using HKTVmall app to browse the HKTVmall web-page; (d) if the same user using the same device to browse the online shopping mall through different channels/medias on the same device. The information for the same period can be changed at different point of time when capturing the data as Google Analytics performs the analysis on sampling basis. According to Google Analytics, the definition of "User" is "Users that have had at least one session within the selected date range, which includes both new and returning users." The above data are unaudited and are not indicative of the Company's business performance, financial condition or growth prospect. Readers should not place reliance on these data.

For figures generated from internal systems and relevant platforms, which were rounded up to nearest integral percentage or thousand, are unaudited and for reference only.

We are not required to correct or update any such statement or information to either reflect events or circumstances that occur after the date the statement or information is made or to account for unanticipated events or otherwise.

# The Legends



- Established in 1992 with HK\$2,300,000 capital + 10 Talents
- Break the IDD monopoly business in Hong Kong
- Listed in HK in 1997 (SEHK: 1137)

- Established in 1999 and built the largest alternative optical fibre fixed network in Hong Kong capable to provide upto 1 Gbps broadband Internet service
- Sold the entire Telecom business in 2012 at HK\$5,000,000,000

- Official launch **HKTVmall** in Feb 2015, being the largest Online Shopping Mall in Hong Kong
- Partner with > 2,500 merchants/suppliers offering over 220,000 product items for consumer selection
- From ~100 Average Daily No. of Orders to now having ~ 12,000 orders



# Our Third Legend in Ecommerce

*Hong Kong's Retail Market is a  
HK\$480 billion business, but only 7 –  
8% are from Ecommerce.*

*We are very lag behind the world  
trend in Digitalization.*

# Our Mission

- To build an **Ecosystem** – **NEW WAY OF RETAILING** to transform Hong Kong business operation, trading, retail, finance and daily life onto a **digital online platform**.
- To maintain Hong Kong as one of the leading cities in Asia

# Access to Our Platforms



- [www.hktvmall.com](http://www.hktvmall.com)
- [www.hokobuy.com](http://www.hokobuy.com)
- HKTVMall App
- HoKoBuy App

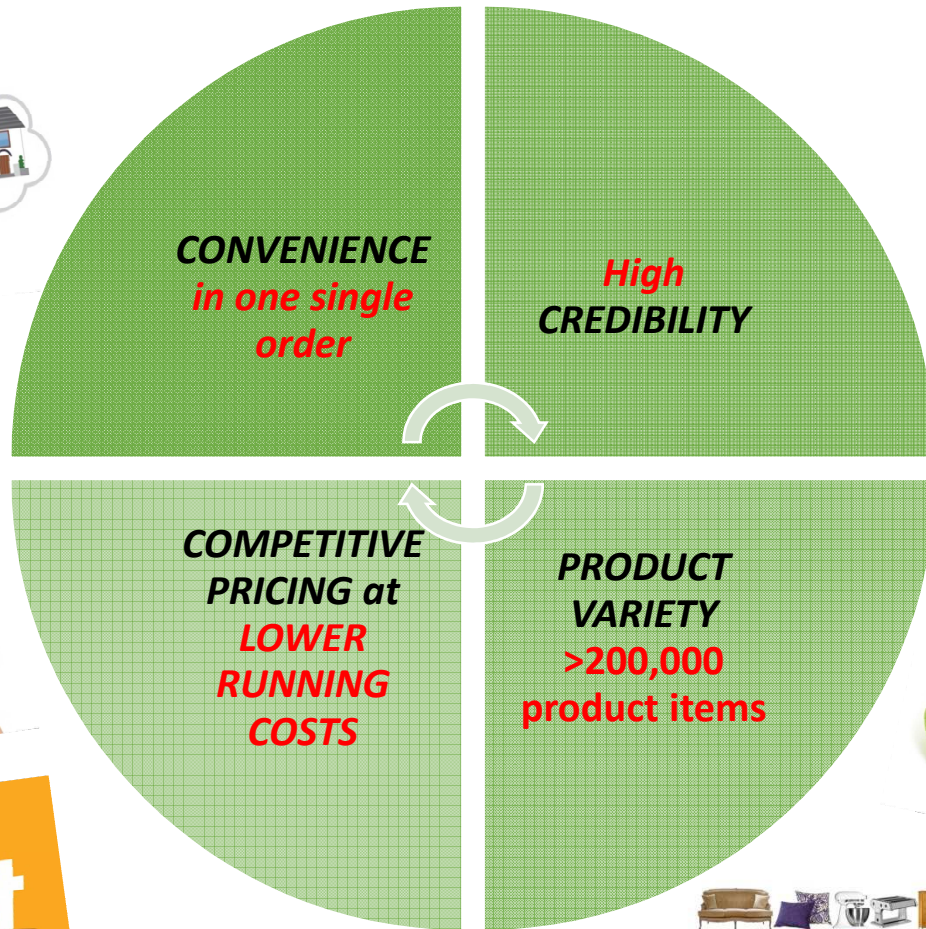


# One Stop Strategy





# Our Current Positioning – Credibility, Convenience, Pricing and Variety



# A One-Stop Shopping Experience with Supermarket and Groceries for Frequency of Orderings

Offer > 220,000 product items - From own FMCG inventory to Merchant offered varieties



Supermarket



Skincare & Make up



Personal Care and Health



Fashion



Housewares



**Upcoming:  
Financial  
Services**



Mother & Baby



Sports and Travel



Dining and Lifestyle



Electrical Appliances



Pets



Toys and Books



# Operational and Financial Review

# No. 1 Hong Kong Based Online Shopping Platform

## Top Sites in Hong Kong - as at 26 Oct 2018

Ranking in Hong Kong	Sites
1	<a href="http://www.google.com.hk">www.google.com.hk</a>
2	<a href="http://www.youtube.com">www.youtube.com</a>
3	<a href="http://www.google.com">www.google.com</a>
4	<a href="http://www.facebook.com">www.facebook.com</a>
5	<a href="http://www.yahoo.com">www.yahoo.com</a>
9	<a href="http://www.taobao.com">www.taobao.com</a>
17	<a href="http://www.amazon.com">www.amazon.com</a>
20	<a href="http://www.tmall.com">www.tmall.com</a>
<b>75</b>	<a href="http://www.hktvmall.com">www.hktvmall.com</a>
288	<a href="http://Zalora.com.hk">Zalora.com.hk</a>
428	<a href="http://www.fortress.com.hk">www.fortress.com.hk</a>
522	<a href="http://www.ztore.com">www.ztore.com</a>
<b>568</b>	<a href="http://www.hokobuy.com">www.hokobuy.com</a>
615	<a href="http://www.parknshop.com">www.parknshop.com</a>
1209	<a href="http://www.fingershopping.com">www.fingershopping.com</a>
1214	<a href="https://www.broadwaylifestyle.com/">https://www.broadwaylifestyle.com/</a>
1216	<a href="http://www.sasa.com">www.sasa.com</a>
1239	<a href="http://www.watsons.com.hk">www.watsons.com.hk</a>
1605	<a href="http://www.welcome.com.hk">www.welcome.com.hk</a>
5489	<a href="https://www.aeoncity.com.hk">https://www.aeoncity.com.hk</a>

Source: <https://www.alexa.com/topsites/countries;0/HK>

Remarks:

1. The sites in the top sites lists are ordered by their 1 month Alexa traffic rank.
2. The 1 month rank is calculated using a combination of average daily visitors and page views over the past month. The site with the highest combination of visitors and page views is ranked #1. The site's metrics are estimated and based on traffic patterns across the web as a whole and using data normalization to correct for any biases.

# YouGov Brand Index 2018

## Most Positively Talked about Brands among Millennials in Hong Kong







Source: YouGov BrandIndex

### Methodology:

YouGov BrandIndex first screened all of its 310 brands for positive Buzz, which asks respondents "Have you heard anything positive about the brand in the last two weeks, through advertising, news, or word of mouth?" Brands with low response volume were eliminated. From those brands, they were then ranked on Word of Mouth scores, which asks respondents "Which of the following brands have you talked about with friends and family in the past two weeks (whether in person, online, or through social media)?" All respondents for this research were adults 18 through 34 years old. Data was collected between September 1, 2016 and August 31, 2018

# HKTVMall + HOKOBUY

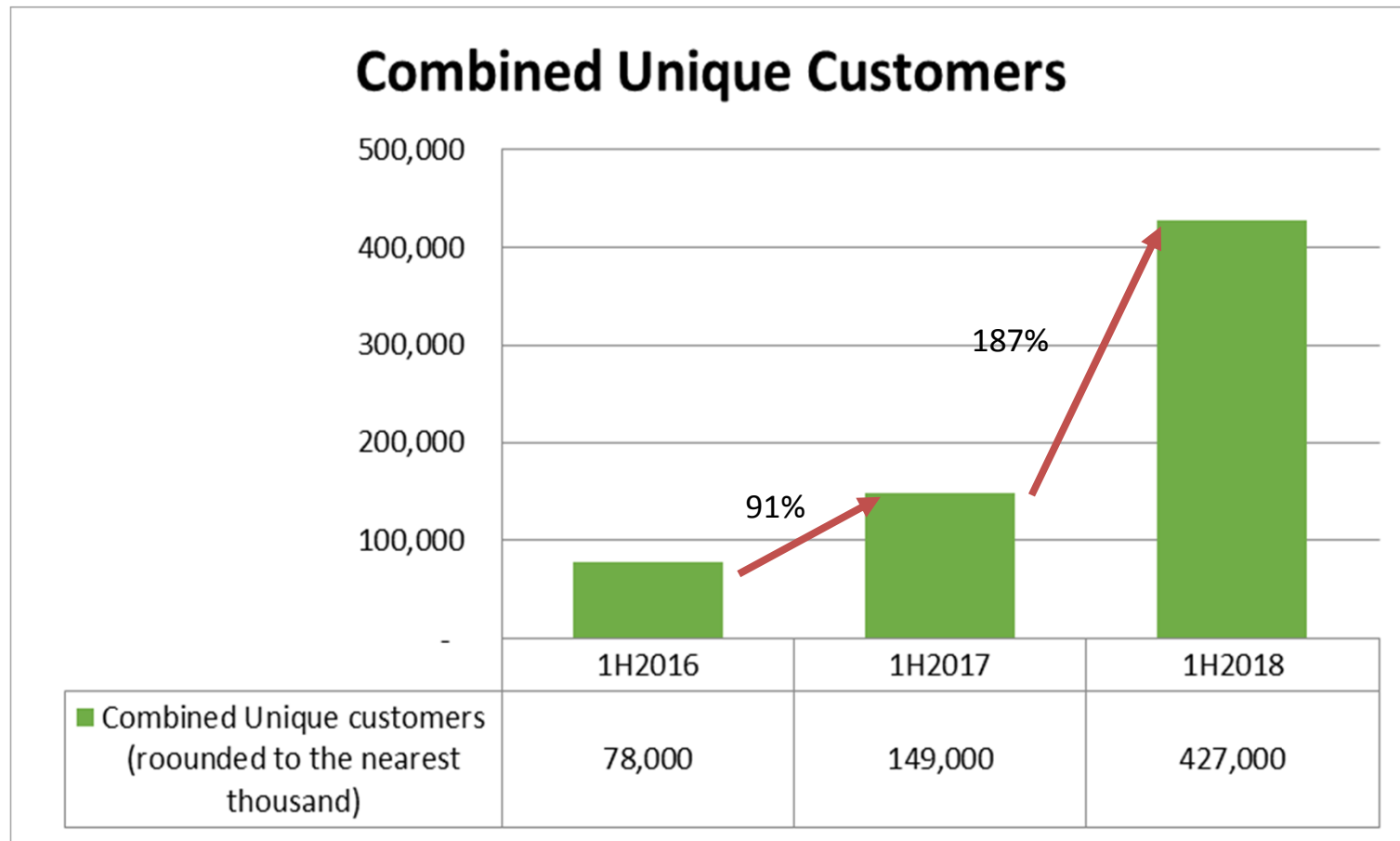
For the month of	Sept 2018	June 2018	Dec 2017
 No. of Unique Devices landing on PDP or performing search on HKTVmall (source: 1)	1,427,000	1,409,000	1,129,000
 No. of Registered Email Subscriptions (source: 2)	4,687,000	4,522,000	4,280,000
 No. of Apps download (source: 3)	4,055,000	3,880,000	3,571,000
 Facebook likes (source: 4)	916,000	911,000	896,000

Source:

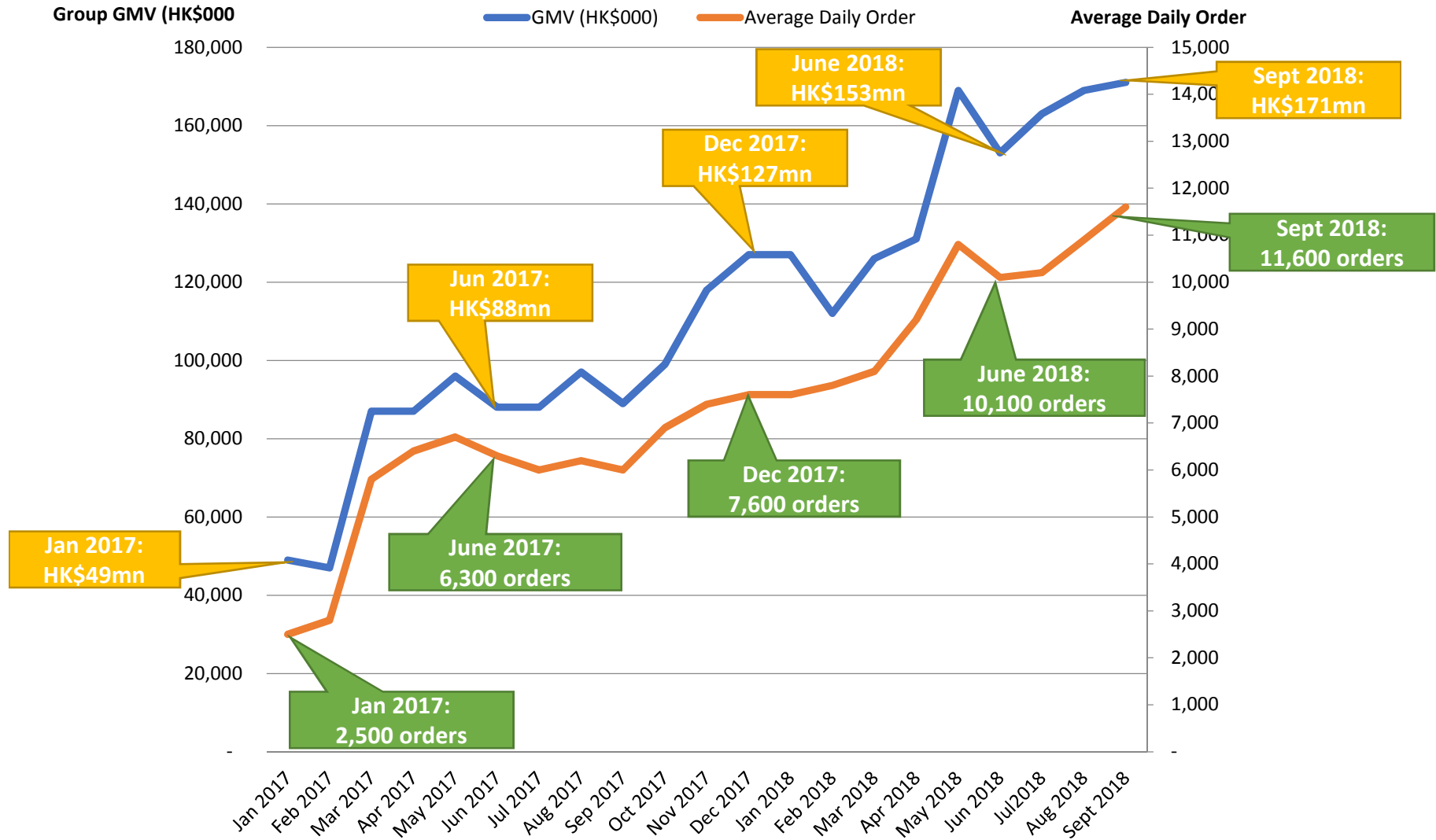
1. Data on Unique Device is extracted from our internal system and rounded to the nearest thousand. The data is collected based on the tracking cookies for web browser and the device advertising ID for app, which could be overlapping if (a) same device is used to browse the online shopping web-page through different browsers; (b) same device is used to open online shopping app and to browse online shopping web-page; and (c) the user amends the advertising ID of its device. These data are unaudited and are not indicative of the Company's business performance, financial condition or growth prospect. Readers should not place reliance on these data.
2. Internal system
3. Android Google Play Console and Apple iTunes Connect
4. Facebook



Multiple Growth Rate on Customer Base – Making real purchases at HKTVmall and / or HoKoBuy



# Online Shopping in Hong Kong?



**By annualizing the September 2018 performance, we are building a growing HK\$2.1 billion GMV online marketplace in Hong Kong.**

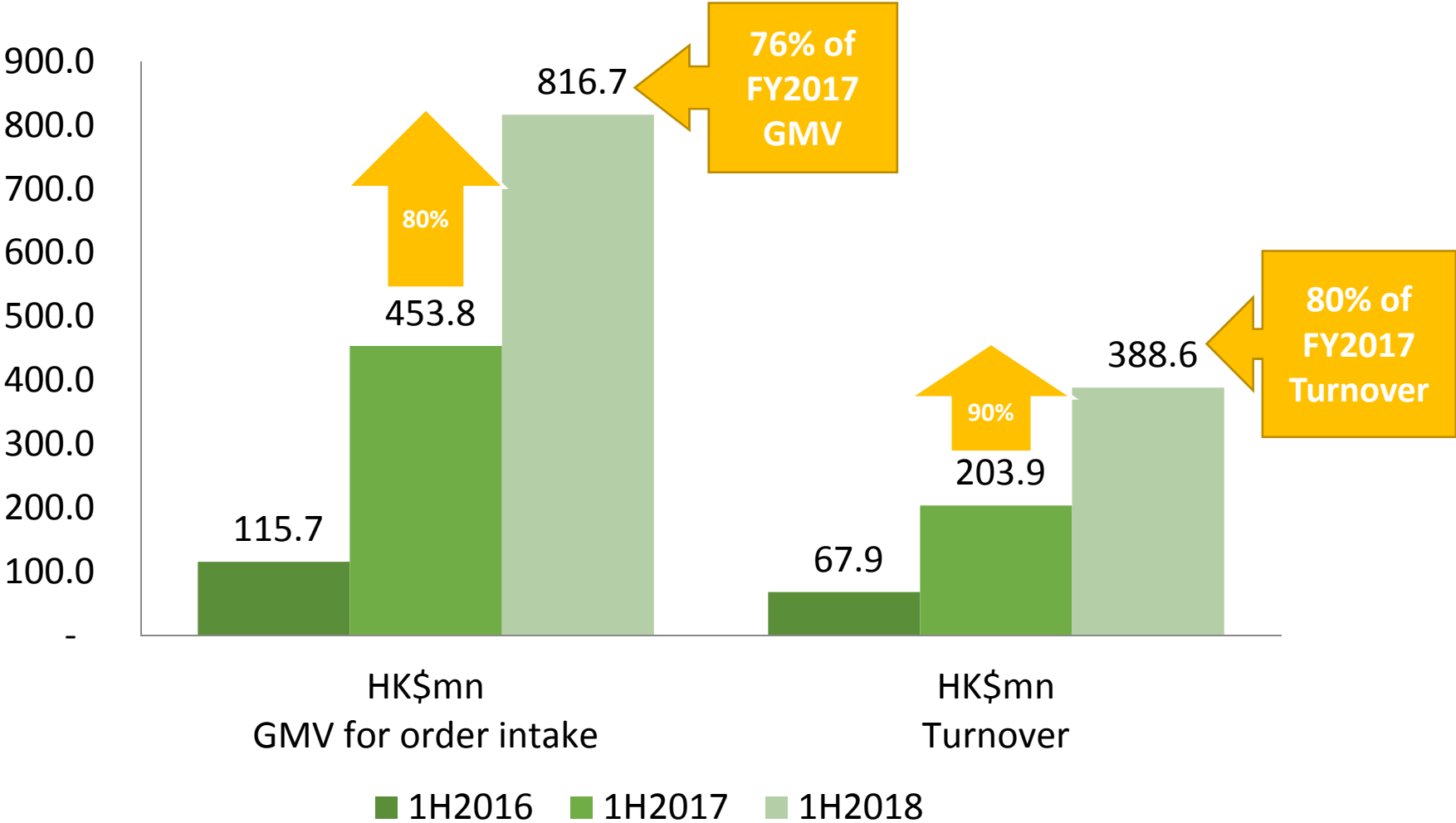
Source: GMV and Average Daily Order – Internal platform and system



# Consolidated Income Statement

	6 months ended 30 June 2018	6 months ended 30 June 2017	Variance	
	HK\$'000	HK\$'000	HK\$'000	%
<b>GMV on Order Intake</b>	<b>816,721</b>	<b>453,800</b>	<b>362,921</b>	<b>80%</b>
Turnover				
- Ecommerce	384,064	202,842	181,222	89%
- Multimedia	4,534	1,063	3,470	326%
<b>Total Turnover</b>	<b>388,598</b>	<b>203,905</b>	<b>184,693</b>	<b>91%</b>
<b>Cost of inventories</b>	<b>(239,139)</b>	<b>(124,556)</b>	<b>(114,583)</b>	<b>92%</b>
<b>Other operating expenses</b>	<b>(336,315)</b>	<b>(247,657)</b>	<b>(88,658)</b>	<b>36%</b>
Valuation gain	19,700	23,900	(4,200)	-18%
Other income, net	30,030	48,787	(18,757)	-38%
Finance costs	(2,472)	(782)	(1,690)	216%
Income tax expense	(265)	199	(464)	-233%
<b>Loss attributable to shareholders</b>	<b>(139,863)</b>	<b>(96,204)</b>	<b>(43,660)</b>	<b>45%</b>
Interest on bank loans	2,366	656	1,711	261%
Income tax expenses/(credit)	265	(199)	464	-233%
Investment returns	(21,157)	(29,410)	8,253	-28%
Depreciation	30,658	21,596	9,062	42%
Amortisation	10,989	6,516	4,473	69%
<b>EBITDA loss</b>	<b>(116,742)</b>	<b>(97,045)</b>	<b>(19,696)</b>	<b>20%</b>
<b>Major non-cash items</b>	<b>(11,649)</b>	<b>(29,094)</b>	<b>17,445</b>	<b>-60%</b>
- Valuation gains on investment properties	(19,700)	(23,900)	4,200	-18%
- Exchange gain/(loss)	(2,748)	(12,111)	9,363	-77%
- Reversal of expected credit loss on debt securities measured at FVOCI	(471)	-	(471)	0%
- Non-cash licensing income	(3,813)	-	(3,813)	0%
- Equity-settled share-based transactions	7,188	6,917	271	4%
- Unrealised fair value loss on debt securities measured at FVPL	7,895	-	7,895	0%
<b>Adjusted EBITDA loss</b>	<b>(128,391)</b>	<b>(126,139)</b>	<b>(2,252)</b>	<b>2%</b>

# Sustainable Growth Momentum



Remark:  
 GMV = Gross sales dollar value for merchandise sold excluding cash voucher sold, internal account sales, before deduction of mall level discounts, rebated used, cancellation and returns of merchandise sold.

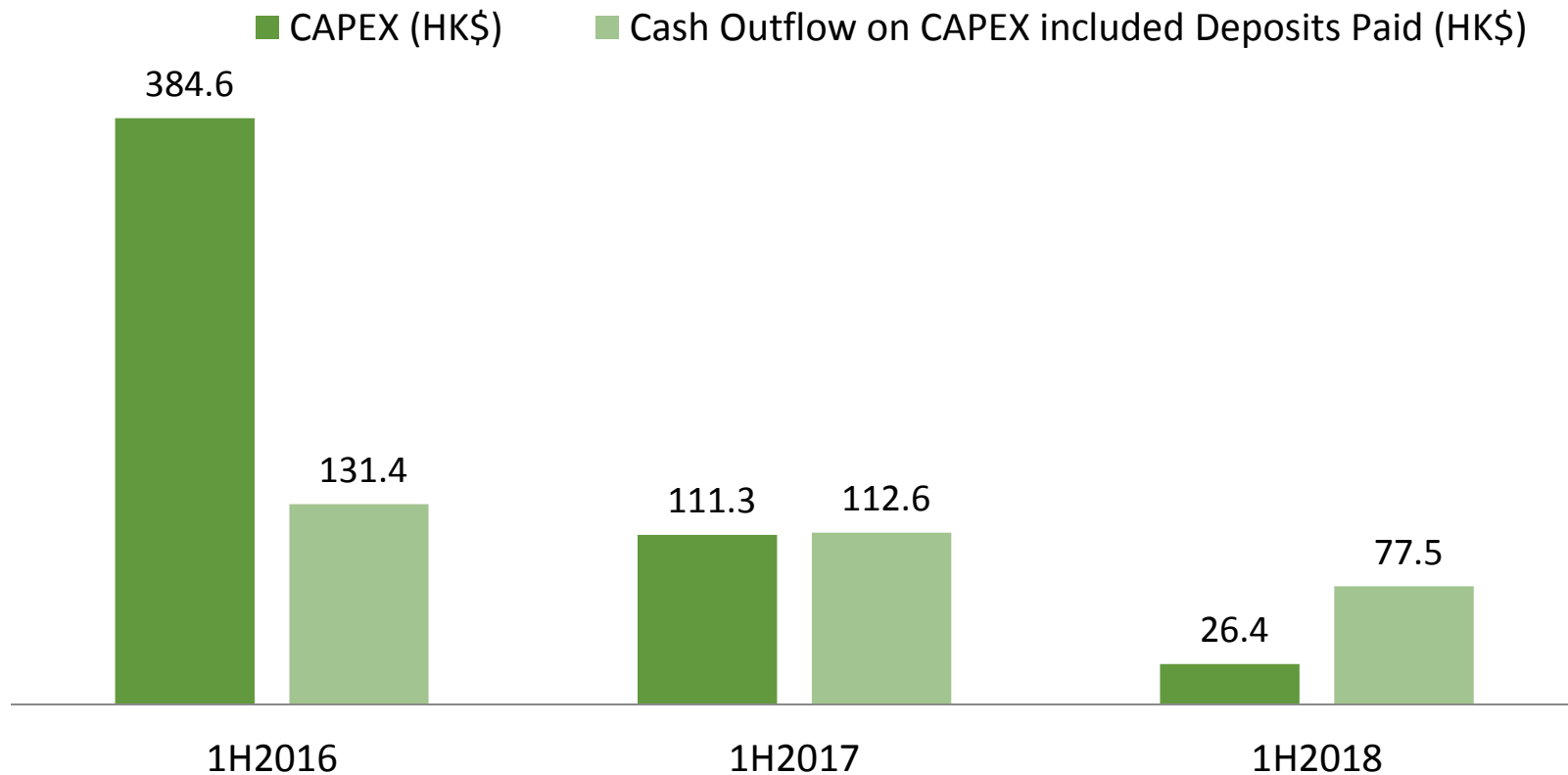
# Solid Financial Position

	Jun 2018	Dec 2017	Variance	
	HK\$'000	HK\$'000	HK\$'000	in %
Property, plant and equipment	1,167,751	1,152,387	15,364	1%
Intangible assets	101,576	100,725	851	1%
Other financial assets (Fixed income and Equity investment)				
Non-current	673,934	675,161	(1,227)	0%
Current	49,171	201,004	(151,833)	-76%
Other receivable, deposits and prepayments	118,979	75,188	43,791	58%
Inventories	32,412	26,912	5,500	20%
Tax recoverable	-	1,007	(1,007)	NA
Pledged bank deposits	3,905	3,905	-	NA
Cash at bank, in hand and term deposits	87,347	100,199	(12,852)	-13%
<b>Total Assets</b>	<b>2,235,075</b>	<b>2,336,488</b>		
Accounts payable	100,425	92,951	7,474	8%
Other payables and accrued charges	147,773	154,840	(7,067)	-5%
Deposits received	4,286	4,286	-	0%
Bank loans	274,058	219,623	54,435	25%
Deferred tax liabilities	2,421	2,156	265	12%
<b>Total Liabilities</b>	<b>528,963</b>	<b>473,856</b>		
<b>NET ASSETS</b>	<b>1,706,112</b>	<b>1,862,632</b>		
Share capital	1,277,181	1,268,914	8,267	1%
Reserve	428,931	593,718	(164,787)	-28%
<b>TOTAL EQUITY</b>	<b>1,706,112</b>	<b>1,862,632</b>		

Solid balance sheet with strong liquidity - as at 30 June 2018,

- Under Property, plant and equipment, included over 300,000 Sq. Ft. self-owned properties at TKO, investment and leasehold properties of about 153,000 Sq. Ft.. In September 2018, we disposed a subsidiary including ~ 52,500 Sq. Ft. at HK\$328.3 million with an estimated gain on disposal at approximately HK\$160.6 million.
- Strong liquidity with investment in Other Financial Assets and cash balance, net of bank borrowings at HK\$540.3 million.

# Managed CAPEX for Sustainable Growth



Heavy construction CAPEX for new TKO headquarters was completed in 2016/2017. Upcoming CAPEX is scalable and for sustainable business growth – for the next 2 -3 years, mainly including:

- HK\$140 million robotic system to be delivered by 2 phases by Q12019 and by Q12020;
- Expansion of logistics fleet for increase in order intake – additional 50+ trucks has delivered in Q32018, and we are running a ~ 250 vehicles fleet;
- Renovation and equipment for new O2O shop expansion



# New Way of Retailing

# To Become the Largest and Profitable

## Technology x Consumer Behavior

- 1. *Expanding*** the penetration by new customers acquisition
- 2. *Increasing*** Gross Profit Margin
- 3. *Lowering*** the Costs for Warehousing, Pick and Pack, and Delivery Cost

# New Customers Acquisition

- **Tier One Banks partnership –**

- Benefit from different database cross selling to accelerate new customer acquisition
- Ready for innovative TechFin development – 88 days technical development to launch the first Pay with Points API with highly regulated Tier One Bank

- **Reach the unreachable segments –**

- Expanding payment channels to non-credit card consumer segments
- Enlarging physical presence in different geographic districts, now having **33** O2O shops in operation, contracting to around **36 - 40** shops by end of 2018
- Tapping into traditional terrestrial TV consumers

- **Cross Sectors Conversion –**

- Collaboration with like-minded companies across different sectors to accelerate the digital conversion of consumers' living.

# Expanding Channels for Payment and Mall Dollars



MasterCard.  
SecureCode.

Verified by  
VISA



HKTV mall  
Mall Dollar



TAXI | | HKTV mall

Use **Mastercard®** with **HKTaxi**

EARN **5%** HKTVmall mall dollar rebate

Promotion Period: 1/6-31/8

HKTV mall | citi

兌換積分  
1,900分

抵銷簽賬

立即兌換

Point \$

PayMe | From HSBC at **HKTV mall**

Your favourite things, now a few taps away

You paid HKD 888.00 to HKTVmall.



# Unrivaled Customer Acquisition Campaign

21 May – 30 June 2018, we sold more than 41,000 sets

**A4 Wagyu Striploin Set**  
~~\$384.9~~  
**Bundle Price:**  
**\$199**

**New Customers Special Offer**  
**Save \$100 For The First Set**

**BUY NOW >**

US Angus Beef Shortrib Bone-in [300g approx.]

A4 Wagyu Striploin [220g approx.]

Valid until June 3, 2018.  
 Welcome offer is limited to 1 unit in first order, the following units will be charged at regular price.  
 Photos are taken after defrosting and for reference only. Offer is subject to the relevant terms and conditions.  
 Offer is subject to the relevant terms and conditions.

<p><b>新客「鮮」有</b>          滋味第二擊: 4/6 - 17/6</p> <p>全套組合:  <b>\$99</b></p>	<p><b>\$337.7</b></p> <p><b>\$99</b></p>	<p><b>\$361.8</b></p> <p><b>\$99</b></p>	<p><b>\$311.6</b></p> <p><b>\$99</b></p>	<p><b>\$355.9</b></p> <p><b>\$99</b></p>
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# Warehouse Operation

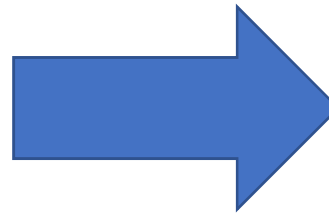
## Traditional Retailing

Man to Goods



## New Retailing

Goods to Man



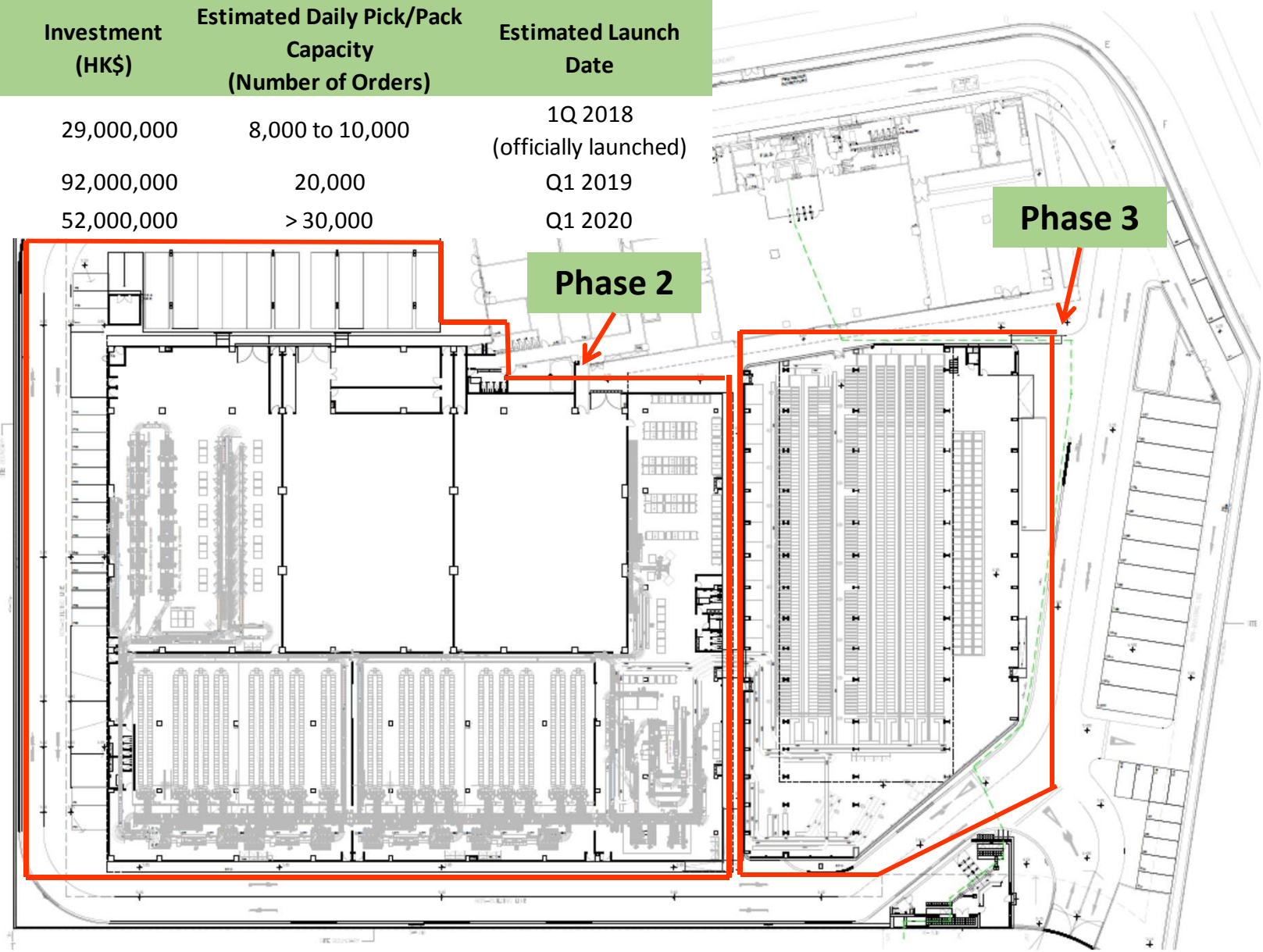
Turning the loss-making “highly manual fulfilment process” into a stable and profitable “highly automated process

# Robotic Systems In Tsing Yi Logistics Centre (Phase I)



# Scalable Capacity - Phase II and III of Robotic System at Self-Owned TKO Headquarters

	Investment (HK\$)	Estimated Daily Pick/Pack Capacity (Number of Orders)	Estimated Launch Date
Phase 1	29,000,000	8,000 to 10,000	1Q 2018 (officially launched)
Phase 2	92,000,000	20,000	Q1 2019
Phase 3	52,000,000	> 30,000	Q1 2020



# Lower Delivery Costs, Tailor-Made Multi-Compartment Trucks

Another **Volume Game**, the more order intake, the higher the density in each district, the shorter the delivery distance – and lower costs!



Frozen compartment at -18°C for frozen and chilled food



Room temperature compartment for general merchandise

# A New Way of Retail Store Concept - **the Formula to Success** (Conversion and Servicing)

After running O2O stores for 14 months, average shop area of 400 Sq. Ft. “RETAILING” 200,000 products

- ✓ **We sell whatever you can imagine**
- ✓ **Brand build-up and recall**
- ✓ **Additional distribution channel for Pick Up** (to suit different customer needs)
- ✓ **Education** (to reach and convert new group of customers)
- ✓ **Physical presence for CS handling** (to increase confidence on products and service level)

# Small Store, Huge Potential

Show case: South Horizons Store opened in Jan 2017, less than 500 Sq. Ft.

In 3 months' time from store opening:

- **Number of orders and customers** from surrounding residential areas **soared by 5 times!**
- **Revenue** from products sales **increased by 4 times**



# Offline Patronage -> Online Shopping -> Offline Pick-up points

2017



:15

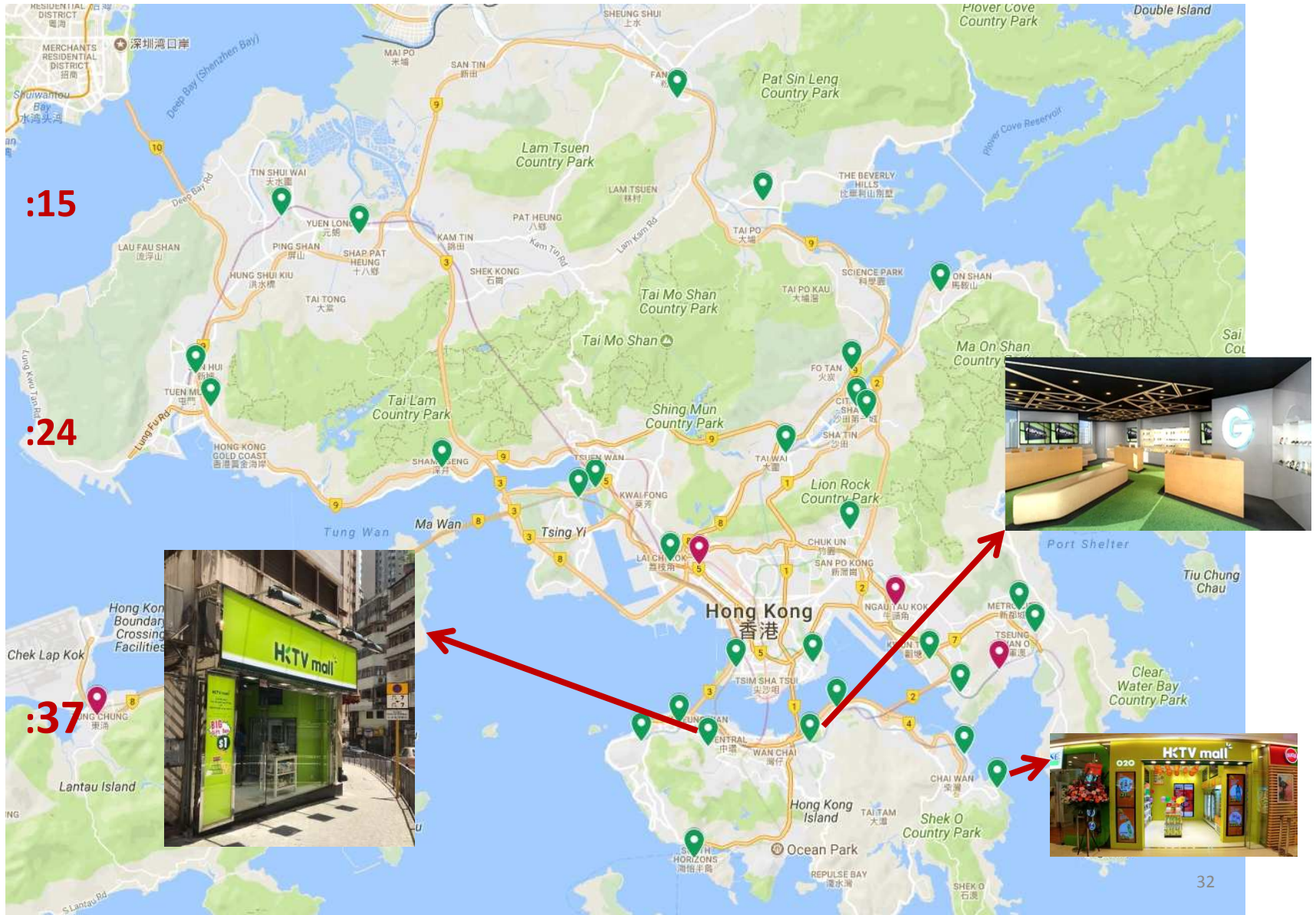
June 2018



Now

:24

:37



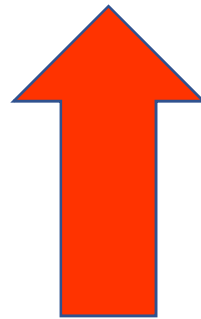


# Collaboration with Google Partner to groom SME growth – 31 X on ROI

**HKTVMall**



According to 2017 experiment,  
HKTVMall remarketing audience vs Google audience



Conversion rate  
**Uplift 31x**

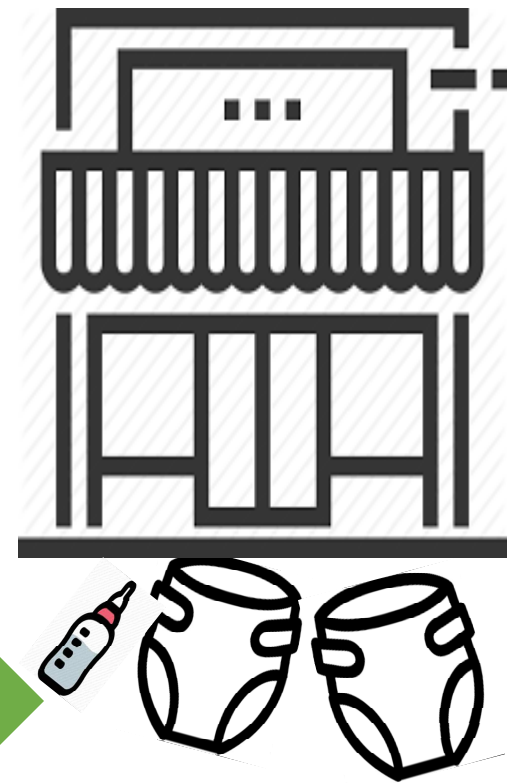
More precise target marketing in placing digital ad, this is our strength brought by BIG DATA collected from HKTVMall and HoKoBuy!

# Case Sharing – Small Merchant Partnership Programme (update since 2017 annual results)

A new-joined small grocery shop by end of January 2018-

- Selling (parallel import) baby goods, such as diaper, cups, vacuum bottle, bathing oil etc.
- Annual Ad Budget: **HK\$100,000**
- Ad Spent amount: **HK\$3,400** only in February 2018

- Cumulative Ad Spent (Jan – Jul 2018): **HK\$41,000**
- Cumulative GMV (Jan – Jul 2018): **HK\$4.3 million** with July 2017 reached HK\$1.1 million



# More than just an Online Marketplace...3 ways to monetize from the Online Business

- ✓ **Big Data and Digital Advertising**
  - ✓ Strong digital capabilities to assist our suppliers and any advertisers to enhance the preciseness in predicting consumer needs so as to build stickiness, create demand and be able to capture the time of need.
- ✓ **Automatic Warehousing and Logistics**
  - ✓ Delivery is the core for online shopping business
  - ✓ In 3 years' time, we believe we will become the largest delivery company in the residential areas in Hong Kong
- ✓ **Virtual High Margin Service Provisioning**

# To Conclude.....

*Technology is the key to shape consumers' behavior.*

*While Consumer Changes will drive the way of Retailing.*

The background is a light green gradient with faint white silhouettes of industrial machinery, including gears, cranes, and a robotic arm. The robotic arm in the top right corner is holding a green square with the HKT logo. The text 'THANK YOU' is centered in a dark green, sans-serif font.

THANK YOU

HONG KONG TELEVISION NETWORK LIMITED  
香港電視網絡有限公司