

ASX Announcement :

Capital Raising and Company Outlook



Open Briefing interview with CEO Garrison Huang

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In this Open Briefing, CEO Garrison Huang discusses:

- Who is Harris Technology (HT8)
- M2C business strategy – a Direct to Consumer business model
- Quarterly Report Commentary
- Why Amazon entering in Australia is a good thing for HT8.

Record of interview:

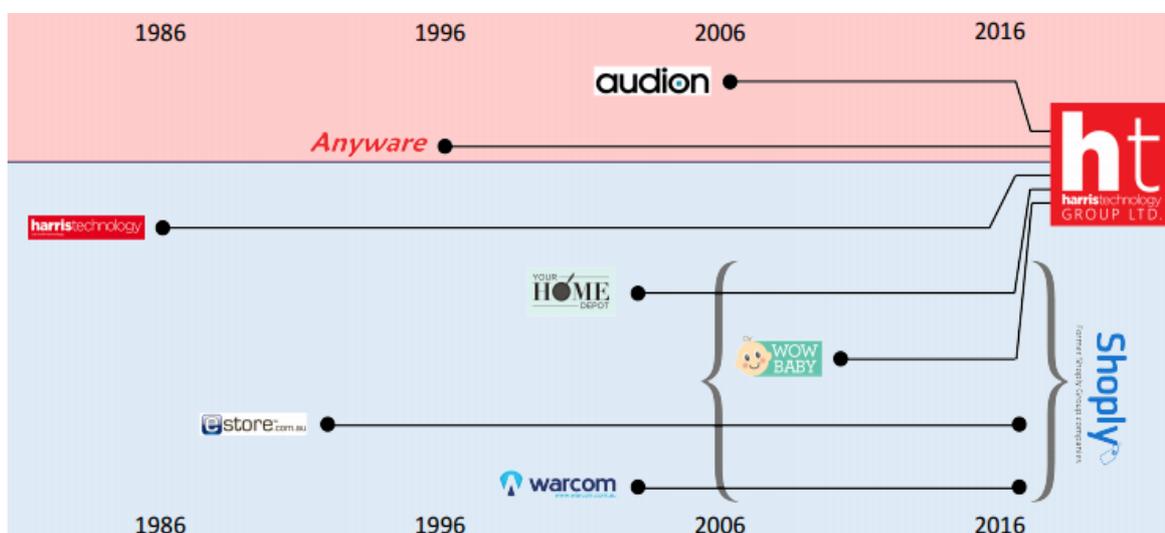
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Harris Technology is a growing online e-retailer of electronic and household products with revenues exceeding \$60 million that is expanding its market share with competitive and efficient pricing and offerings. The Company has a unique business model that is expanding its offering to Australian consumers. Can you give OpenBriefing.com an overview of the Harris Technology Group?

CEO Garrison Huang

Harris Technology Group Limited is an ASX listed company with two streams of businesses – A B2B stream and a B2C stream. The company was a result of a merger between the previous Shoply Limited with the Anyware Corporation Pty Ltd and Harris Technology Pty Ltd. Harris Technology is a well-known brand in Australia with a 30 years history. In 2015, Anyware acquired the business of Harris Technology from Officeworks. The B2B side is represented by Anyware – a distribution and import business focusing on IT and CE accessories; and the B2C side is represented by three e-commerce websites – a technology e-commerce site www.ht.com.au, a homeware and kitchenware site: www.yourhomedepot.com.au and a baby care website: www.wowbaby.com.au

Figure1. Growth of Harris Technology through acquisition



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What is the Harris Technology growth strategy into 2018 and how do you present a unique proposition for your shareholders and potential investor?

CEO Garrison Huang

We will focus on our business in e-commerce by employing a strategy we call M2C – (Manufacturer to Consumer) business model. We have also referred this business model as Cross Border Direct shipping with Local Presence (CBDSL). Taking advantage of our traditional B2B business experience and the existing relationships with the manufacturers in China; we intend to launch a division in China to sell products directly to consumers in Australia with the most competitive prices. Our local team will take care of the product support and warranties for the Australian consumers, so consumers can have peace of mind when shopping on our online stores. The other great benefit of this business model is that we don't need to carry the stock because we will rely on manufacturer or distributors to warehouse and distribute.

Figure 2. Harris Technology M2C business model – manufacturer to consumer



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The US e-commerce company Amazon is planning to commence operations in Australia this coming year. There is a perception that the advent of Amazon will be a large negative impact on Australian retail business, can Harris Technology compete against Amazon and how?

CEO Garrison Huang

Well, Amazon is not our competitor; on the contrary, Amazon is our friend. We see Amazon's entry in Australia is a positive thing because Amazon is not only a seller of Amazon's own products, but to a larger extent, it is more an e-commerce platform on which many sellers conduct business. Since we don't have any brick and mortar retail outlets, unlike many mass retailers, we welcome Amazon's entry into Australia and see this being a strong catalyst for our e-commerce business. We intend to utilise the Amazon platform to assist our M2C business implementation. Amazon will not only raise the consumer use of e-retailing which in Australia is still lower than in places like China, but it will ultimately drive more consumer traffic to Harris Technology which will have its store on the Amazon shopping portal. Amazon to Harris will be like Westfield to a small retailer – it provides enormous traffic that would not otherwise have walked past the store.

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Harris Technology released in its recent Quarterly 4C Report that revenues for the quarter were

\$15,581,000 and \$45,866,00 for the three months to date, putting the company on track for a full year of revenue at more than \$60,000,000. Quarterly you showed a Net operating profit of \$3,055,000 which seems quite healthy. Net Cash for the quarter is \$1,584,000 and you have paid back borrowings to the amount of \$3,637,000. What is your outlook for the full year Operating Profit and how do you see the financial health of the company?

CEO Garrison Huang

Since we took over the business of Shoply, we have put a great amount of effort to review the business operations and expenses. Firstly, we had to get the business fundamentals right and ensure we don't spend money aimlessly for the sake of growth. We removed two major building leases and cut down a significant amount of costs and relocated the previous Shoply businesses into Anyware. We had to reset some of the businesses to ensure long term sustainability of the e-commerce businesses. As a result of these management measures, we have seen some retractions on revenues of some e-commerce businesses.

In terms of profitability, the loss for the half year of about \$2.9 million was mainly due to intangibles impairment. The combined business delivered an operational half year profit of \$206,483 at end of December 2016. We expect the group full year result at end of June 2017 to be EBITDA positive.

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In July of 2016, Harris acquired 100% of technology distributor Anyware Corporation Pty Ltd (Anyware). What were the reasons behind the acquisition and what will Anyware bring to the Harris business? When do you believe you will see an impact from this acquisition?

CEO Garrison Huang

It was, in fact, a reverse take-over. Shoply was an ASX listed entity focusing on e-commerce. After the reverse take-over, the business changed its name to Harris Technology Group Limited and ASX code changed to HT8. Anyware is an IT/CE distributor and currently contributing most of the revenue to the entity. The group becomes more diversified with both B2B and B2C incomes.

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Audion Innovision Pty Ltd (Audion) was another successful acquisition in 2016, Can you provide an overview of the Audion business and what it brings to Harris Technology?

CEO Garrison Huang

Acquisition of Audion Innovision added some additional IT and CE brands to the group's distribution business. Combining two distribution businesses created some major cost savings as well as many cross-selling opportunities.

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Australian Government has removed GST free policy for goods sold by overseas companies. Do you believe that your M2C Cross Border strategy will still work?

CEO Garrison Huang

The M2C Cross Border Direct Shipping with Local Presence strategy will work with or without the GST being applied because we see this business model being a much superior model. We will eliminate almost all the middle tiers during the process. The GST compliance policy may deter some smaller players in the market place, hence may help us to get established.

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Where do you see potential openings in the market for future expansion of Harris Technology? What is its strategy in the year ahead and what milestones can investors look forward to in the coming months?

CEO Garrison Huang

As mentioned, we have two important parts of the businesses. One is distribution where we continuously seek new brands and products to distribute in Australia. We will keep our shareholders informed when we have some major brands coming our way. The other one is our e-commerce business represented by our

B2C websites. Major focus will be the M2C strategy. We intend to launch a business division in China in the coming months. We will keep the public informed on this process and share with our shareholders and potential investors any progress we may make soon. We will start this in mobile accessories and gradually expand our coverage in other verticals such as toys, apparel, home and garden etc.

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Thank you Garrison

For more information about Harris Technology Limited, visit www.ht8.com.au or call Garrison Huang on +61 3 9286 7500

For Open Briefings by Harris Technology Limited, or to receive future Open Briefings by email, visit openbriefing.com

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