

ANTELOPE ENTERPRISE HOLDINGS LIMITED

First Half 2023 Earnings Conference Call

October 2, 2023

8:00 am ET

Speakers:

CEO Will Zhang

CFO Edmund Hen

Operator: Good morning, and welcome to the Antelope Enterprise Holdings first half 2023 earnings conference call. All participants will be in listen-only mode. Should you need assistance, please signal the conference specialist by pressing by star then zero on your telephone keypad. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may star then one on your telephone keypad. To withdraw your keypad, please press star then two. Please note, this event is being recorded.

I would now like to turn the conference over to David Rudnick of Precept Investor Relations. Please go ahead.

David R.: Thank you, Drew. Good morning, ladies and gentlemen, and good evening those of you who are joining us from China. Welcome to the Antelope Enterprise Holdings' first half 2023 earnings conference call.

With us today are Antelope Enterprise's Chairman and Chief Executive Officer, Mr. Will Zhang; and Chief Financial Officer, Mr. Edmund Hen.

Before I turn the call over to Mr. Zhang, I'd like to address forward-looking statements that may be discussed on the call. Forward-looking statements involve risks and uncertainties and include, among others, those regarding revenue, operating expenses, other income and expense, taxes, and future business outlook. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements.

The company claims the Safe Harbor protections for such forward-looking statements as contemplated under the Private Securities Litigation Reform Act of 1995. Please refer the documents filed by the company with the SEC, specifically, the most recent reports on Forms 20-F and 6-K, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements. We assume no obligation to update any forward-looking statements or information, which speaks as of their respective dates.

And now, it's my pleasure to turn the call over to Antelope Enterprise's Chairman and CEO, Mr. Will Zhang, Antelope Enterprise's CFO, Mr. Edmund Hen. My communications colleague, Lynne Bernstein will be translating for CEO Will Zhang. Mr. Zhang, you may proceed.

CEO Will Zhang: (In Chinese)

Lynne B: Thank you, David. On behalf of the company, I would like to welcome everyone to our first half 2023 earnings conference call.

CEO Will Zhang: (In Chinese)

Lynne B: I am extremely proud of the achievements of our Kylin Cloud team as our first half revenue is up 172.5% as compared to the same period last year. Our revenue for our livestreaming ecommerce business came in at \$44.2 million for the six months, modestly higher than our top line pre-announcement. Further, if not for certain non-cash expenses, we would have recorded positive operating income for our livestreaming ecommerce segment for the period.

CEO Will Zhang: (In Chinese)

Lynne B: As a first mover in the livestreaming ecommerce space in China, Kylin Cloud provides turnkey livestreaming marketing and broadcasting services to consumer brand companies by matching consumer brand products with the appropriate hosts and influencers. We believe that Kylin Cloud has the core competencies to increase its market share in the periods ahead in what we believe is an evolutionary sales channel and as we continue to engage as a pure play in the sector.

CEO Will Zhang: (In Chinese)

Lynne B: We believe that we have a tremendous market opportunity ahead of us and are confident that Kylin Cloud's unique approach will continue to redefine the ecommerce livestreaming landscape. I am genuinely excited about our value proposition for our customers, and I'm confident that we will create value for our shareholders as well.

CEO Will Zhang: (In Chinese)

Lynne B: With that, I would like to turn over the call to the company's Chief Financial Officer, Mr. Edmund Hen, who will discuss the company's first half earnings results in more detail. Thank you.

CFO Edmund Hen: Thank you, Mr. Zhang.

I will now move on to a more detailed discussion of our financial results for the six-month ending June 30, 2023.

Revenue for the six-month ended June 30, 2023 was RMB 309.3 million, or US\$ 44.6 million, a 161.5% increase from our RMB 118.2 million, or US\$ 18.3 million, for the same period of 2022. The increase in revenue was due to RMB 305.9 million, or US\$ 44.2 million, in revenue generated from our livestreaming ecommerce business, a 172.5% increase from RMB 112.3 million, or US\$ 17.3 million, for the same period of 2022. Our livestreaming ecommerce business constitutes 99% of first half 2023 total revenue as compared to 83% for the same period of 2022.

Gross profit for the six-month ended June 30, 2023 was RMB 47.2 million, or US\$ 6.8 million, as compared to RMB 1.9 million, or US \$0.3 million, for the same period of 2022. The increase in gross profit was due to RMB 52 million, or US\$ 7.5 million, in gross profit generated from our livestreaming ecommerce business, a 1,591.4% increase from RMB 3.1 million, or US\$0.5 million, for the same period of 2022. For the first half of 2023, our gross profit margin was 17% for the livestreaming ecommerce business as compared to gross profit margin of 2.7% for the first half of 2022.

Other income for the six months ended June 30, 2023 was RMB 2.8 million, or US \$0.4 million, as compared to RMB 1.7 million, or US \$0.3 million, for the same period of 2022. For the first half of 2023, we had RMB 0.5 million in interest income, income of RMB 1.2 million attributable to forgiveness of a loan by an affiliate of a shareholder of the company, a government grant of RMB 0.3 million and other income of RMB 0.8 million.

Selling and distribution expenses for the six months ended June 30, 2023 were RMB 49.2 million, or US\$ 7.1 million, as compared to RMB 1.9 million, or US\$ 0.3 million, for the same period of 2022. The increase in sales and distribution expenses was primarily due to an increase in travel expenses of RMB 0.1 million, an increase in commission expenses of RMB 2.6 million, and an increase in advertising and promotion expenses of RMB 44.6 million.

Administrative expenses for the six months ended June 30, 2023 were RMB 38.7 million, or US\$5.6 million, as compared to RMB 6.4 million, or US \$1 million, for the same period of 2022.

Loss from continuing operations before taxes for the six months ended June 30, 2023 for our livestreaming business was RMB 73,000 for the first half of 2023, as compared to an income from continuing operations before taxes of RMB 7.4 million, or US \$1.1 million, for the first half of 2022.

Loss per basic share and fully diluted share from the continuing operation for the six months ended June 30, 2023 were RMB 23.44, or US\$ 3.40, as

compared to loss per basic and fully diluted share of RMB 5.14, and US\$ 0.79, for the same period of 2022.

Turning to our balance sheet. As of June 30, 2023, we had a cash and bank balances of RMB 3.1 million, or US\$ 0.4 million, compared with RMB 3.9 million, or US\$ 0.6 million, as of December 31, 2022. As of June 30, 2023, our total outstanding bank loan amounts were nil, and we had a notes payable of RMB 9.3 million, or US\$ 1.3 million.

As has been publicly announced over the last two years, we enacted a corporate transformation to pivot towards high-growth technology areas, which included the acquisition of livestreaming ecommerce business. In December 2022, our Board of Directors unanimously agreed to divest its legacy ceramic tile building materials business.

On December 30, 2022, we entered into an agreement to sell our legacy ceramic in exchange for a 5% unsecured promissory note with a principal amount of US\$ 8.5 million. The note will mature in four years and the 5% and principal amount on the note is to be paid in four annual installments. A special meeting of the company's shareholders was held on February 21, 2023, where the shareholders approved the sale of this business, and on April 28, 2023, the transaction closed.

Moving to our business outlook, we operate a livestreaming ecommerce business through our Kylin Cloud subsidiary, which comprises virtually all Antelope Enterprise ongoing business operations. The SaaS+ system platform strategically matches appropriate hosts and influencers to consumer brand products which results in increased sales for these companies. For the six months end June 30, 2023, Kylin Cloud generated 99% of the company's total revenue.

Kylin Cloud provides a one-stop solution for consumer product companies to utilize the growing sales channel of livestreaming ecommerce since it heightens consumer engagement and can build brand loyalty through rich content and online interaction. We view ecommerce livestreaming as especially important since traditional ecommerce can be challenged in terms of its ability for brands to stand out and build personal connections with consumers. Kylin Cloud's social media hosts and influencers build trust with consumers which increase brand awareness and which drives product sales and increased margins.

In the last few years, livestreaming ecommerce has comprised an ever-increasing percentage of China's ecommerce sales which we expect to continue in the years ahead, spurred by a customer ecosystem that includes a young demographic and their high usage rate of mobile devices. We believe that Kylin Cloud is unique in the livestreaming space since its utilization of advanced analytics that matches hosts and influencers to

consumer brand products which facilitates unique content for higher conversion rates as compared to traditional ecommerce. We believe that we will be able to capitalize upon this market opportunity in the periods ahead and will grow at a rate that is higher than the ecommerce livestreaming sector.

This business outlook reflects the company's current and preliminary views and is based on information currently available to us, which are subject to change, and is subject to risks and uncertainties, as well as risks and uncertainties identified in the company's public filings.

At this point, I would like to open up the call to any questions pertaining to our first half 2023 financial results. Operator, please.

Operator: We will now begin the question and answer session. To ask a question, you may press star then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Howard Flinker with Flinker and Company. Please go ahead.

Howard Flinker: (In Chinese) I have one question. (In Chinese) At quarter-end, (in Chinese) how many shares outstanding?

CFO Edmund Hen: In the half year end, right?

Howard Flinker: Yes.

CFO Edmund Hen: We have about 2.5 million after this reverse split, recent reverse split.

Howard Flinker: 2.5 million exactly?

CFO Edmund Hen: Around that number. You may check with the public filing later today.

Howard Flinker: Okay. You'll file a 10-Q or a 20-F or a 6-F, I forget what it's called, is that correct?

CFO Edmund Hen: A 6-K.

Howard Flinker: Oh, 6-K. Okay. It sounds as if you're making progress, and it's been a long fight, and good for you.

CFO Edmund Hen: Thank you.

Howard Flinker: (In Chinese).

Operator: Again, if you have a question, please press star then one. This concludes, excuse me, again, if you have a question, press str then one. The next question comes from William Gregozeski with Greenridge Global. Please go ahead.

William Gregozeski: Hi. I was curious, do you look at a certain metric for revenue for influencers? You guys always post the number of influencers you have in your company profile in the press releases. I was just curious if you look at any metrics for revenue, like average revenue that an influencer brings in, or how do you view the value of each influencer?

CFO Edmund Hen: Excuse me, may I have your question rephrased? One, I understand is about, your question is related to revenue. Please rephrase your question for me so that will be easier for us to understand. Thank you.

William Gregozeski: You disclosed in all of your press releases the number of influencers you have. I was curious how you look at the value of each influencer? If it's revenue per influencer, or how you do guys view that?

CFO Edmund Hen: The influencers are actually the people registered in our SaaS system. So, the more influencers, that means we have more potential to generate future revenue. That means more people are helping our platform for our livestreaming business and more people will contribute to our livestreaming on our platform.

William Gregozeski: Right. I'm asking is there a certain metric you look at to see the value of each influencer? So, as you went from 300,000 to 400,000 in the current press releases, should we expect that revenue to keep increasing at a relatively similar rate going forward as you bring influencers on?

CFO Edmund Hen: Because we still have a very small market share in this livestreaming business. So, we're expecting more and more influencers will join our platform, and so that in terms of the revenue we'll make, influencers will contribute in a significant amount to our revenue. And at this point, it is very difficult to calculate the metrics between the influencer and the revenue. But the thing is, the more influencers join our platform, we believe that the revenue will also go up in a significant manner.

William Gregozeski: Okay. And you've had gross margin improvement. Do you expect to see that going forward? And is there kind of a number you're shooting for to reach, whether it's this year or in the next few years?

CFO Edmund Hen: Yes, you are correct. We're expecting the gross margin will go up in the coming period and years. Also, as I mentioned, we are still in a very early stage in this livestreaming area and we believe that there's still a lot of room, a number of room to grow in our gross margin.

William Gregozeski: Okay. Is there any rough number you guys are targeting that you're aiming to reach for, or is it just flow increases?

CFO Edmund Hen: At this moment, as I mentioned, we're still at a very early stage. So, it is very difficult for us to estimate the mature gross margin as to future growth. But we believe that the current stage does not reflect the whole picture for the business.

William Gregozeski: Okay. All right. Great quarter. Thank you.

CFO Edmund Hen: Thank you very much.

Operator: This concludes our question and answer session. I would like to turn the conference back over to David Rudnick for any closing remarks.

D. Rudnick: Great, thank you. On behalf of the entire Antelope Enterprise management team, I want to thank all of you for your interest and participation on this call. This concludes Antelope Enterprise's first half 2023 earnings conference call. Thank you very much.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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