

2016 FULL YEAR FINANCIAL RESULTS

Highlights:

- **Revenue of HK\$124.5 million [A\$22.2 million];**
- **Gross Profit of HK\$62.2 million [A\$11.1 million];**
- **EBITDA loss of HK\$52.7 million [A\$9.4 million], excluding impairment on and results from associates;**
- **Net Loss of HK\$87.7 million [A\$ 15.6 million];**
- **Established a new strategic business to invest in the development of social mobile shopping applications and platforms focused on the China market, through a joint venture with Walton Brown Group, a company of The Lane Crawford Joyce Group and The Wharf (Holdings) Limited (SEHK:0004), market leaders in luxury retail and premier shopping malls in China and Hong Kong;**
- **Continuous development of best-in-class technologies and people to support and enhance online store operations of merchants;**
- **China's eCommerce market continued to prosper which presented huge opportunities for ECG.**

February 28, 2017 (HONG KONG): eCargo Holdings Limited (ASX: ECG) ("ECG") today announced its preliminary financial results for the year ended December 31, 2016 with a net loss of HK\$87.7 million (2015: HK\$52.9 million loss) and a loss before interest, tax, depreciation and amortisation ("EBITDA loss") of HK\$52.7 million (2015: HK\$37.3 million loss), excluding impairment on and results from associates.

The increase in this year's net loss compared to the previous year's was mainly attributable to (i) Amblique turning from net profit of HK\$4.2 million to net loss of HK\$9.2 million this year due to less-than-expected new contracts concluded; (ii) more resources having been invested in personnel for the eCommerce-enabling business of approximately HK\$10 million; and (iii) the reduction of the remaining useful life of key software intangible assets to benchmark similar software solutions available in the market resulted in an increase in amortisation expenses which resulted in an additional non-cash impact to the net loss for the year.

Consolidated revenue for the year increased moderately to HK\$124.5 million (2015: HK\$118.1 million) of which HK\$52.6 million (2015: HK\$58.3 million) was attributable to eCommerce-enabling business and HK\$71.9 million (2015: HK\$59.8 million) contributed by Amblique.

At eCargo, the fall in eCommerce-enabling business revenue was mainly due to the decrease in eFulfillment revenue as several clients of lower profit margin were terminated. This decrease was partially offset by the more-than-double increase in both eOperations and eStudio revenues. As a result, gross profit margins arising from this segment increased to 37%, exceeding the 28% margin of 2015. Whilst many of the online stores operated by eOperations are still in their early years, we had already seen the growth momentum and the receptiveness of Chinese consumers to these international merchants. The growth of eOperations and the ancillary eStudio services is evidence of the success of our strategy of bringing international brands into China's eCommerce consumer market.

During the year, ECG has successfully attracted a number of new merchants and international brands, such as Ted Baker (U.K.), Juicy Couture (U.S.A.), Fortnum and Mason (U.K.), Lottusse (Spain), Noberasco (Italy), Caprilac (ANZ) and Spanish Post, to support their growth in China's online market.

Amblique's revenue increased by 20% over the year yet gross profit margin decreased from 75% to 59%. This was caused by a drop in new business revenues from website development and implementation which would normally command a higher margin. On the other hand, its business on the maintenance of websites had continued to grow. During the second half of 2016, with the restructuring of the sales team, we immediately saw healthy pipelines and were able to close significant contracts with major retailers such as Surfstitch and Super Retail Group. Barring unforeseen circumstances, we are cautiously optimistic that Amblique will be able to return to profit in 2017.

On investment, ECG continued its strategy of exploring potential opportunities that could create synergies with its existing businesses and bring long-term value to ECG and its shareholders. Following its 2015 acquisition of Amblique, in August 2016, ECG partnered with Walton Brown (Hong Kong) Limited, a company of The Lane Crawford Joyce Group, and a subsidiary of The Wharf (Holdings) Limited (SEHK:0004), to form WWE & Company (BVI) Limited ("WWE"), an investment entity, to pursue investment opportunities in the development of social mobile shopping technologies in China. WWE has invested in MyMM Holdings Limited ("MyMM"), which aims to develop a leading social shopping, fashion eCommerce platform in China, targeting the burgeoning Chinese fashion-conscious consumers. WWE is initially funded with RMB300 million [A\$58.5 million], of which RMB60 million [A\$11.7 million] was invested by ECG, for an effective interest of 20%. Official launch of MyMM is expected in the third-quarter of 2017.

Online retailing continues to grow rapidly in China. According to iResearch¹, China's 2016 eCommerce GMV increased 23% comparing with 2015, and is expected to continue at double-digit growth in the immediate years to come. Nielsen's survey in 2016 says Chinese online consumers are changing their spending preference towards qualitative and experiential items and being less price-sensitive, which has been the driving force for cross-border transactions over China's eCommerce market. This trend compliments rightly ECG's direction of connecting quality international brands with the Chinese consumers.

Commenting, ECG's Executive Chairman, Mr. John Lau, said: "The continuous strong growth of eCommerce retailing market in China is a key driver of ECG's direction. It is undeniable that international brands want to tap into the China market. Since its establishment, ECG has been focusing on bringing merchants to the more common marketplaces. Whilst these established marketplaces are important for brand exposure, it is now considered that the strategy will have to extend to omni-channels of eCommerce in China, together with the development of their own brand sites with full autonomy on brand strategy, and ride on the wave of social media. Omni-channel offerings, state-of-the-art brand-site implementation and digital marketing, with an international mindset on brand-building, are the impetus of ECG's direction."

¹ China's eCommerce GMV Surpassed 20 Trillion Yuan in 2016 - iResearch, February, 2017

ECG's Chief Executive Officer, Mr. Christopher Lau, added: "Chinese consumers continue to show a growing appetite for shopping and consumption on mobile devices through the use of Apps in a social environment. We have the ambition for MyMM to satisfy this growing demand, especially in fashion, by bringing a new online shopping experience to consumers in China, with the vision to 'Empower People in China in Fashion Online'."

Note to Editors

The underlying financial statements supporting the figures in this announcement are prepared in HK\$ and all figures in A\$ presented in this announcement are for reference only. The exchange rate applied to translate HK\$ into A\$ is A\$1.00=HK\$5.61, according to the rate published by the Reserve Bank of Australia as of December 31, 2016.

About ECG

ECG is a China-based eCommerce technology and specialist execution group of companies, with operating companies in China and Australia trading under the eCargo and Amblique brands, providing on-demand digital commerce technology development and related execution capabilities for retailers and fashion brands.

eCargo acts as a "one-stop" enabling partner for designer fashion, branded apparel and retail companies seeking to sell their products online in China, Australia and South-east Asia by providing integrated online and offline technology and supply chain solutions. Amblique is a leading digital commerce consultancy, providing retail strategy, eCommerce platform implementation and optimisation services in Australia and New Zealand.

ECG connects consumers with brands online and offline through the development and marketing of eCommerce platforms, brand site transactional platforms and major marketplace platforms in China and South-east Asia.

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