

## 2017 INTERIM FINANCIAL INFORMATION

### Highlights:

- **Revenue of HK\$61.5 million [A\$10.2 million], +5%;**
- **Gross Profit of HK\$33.5 million [A\$5.6 million], +18%;**
- **EBITDA loss of HK\$22.6 million [A\$3.8 million], excluding results from associate, -24%;**
- **Net Loss of HK\$48.0 million [A\$8.0 million], +17%;**
- **Net Loss significantly increased by amortisation expenses of HK\$23.8m;**
- **Continuous growth of clients online stores performance;**
- **China's booming eCommerce market continued to be the impetus of ECG's growth.**

August 28, 2017 (HONG KONG): eCargo Holdings Limited (ASX: ECG) ("ECG") today announced its interim financial results for the six months ended June 30, 2017 with a revenue of HK\$61.5 million (2016: HK\$58.7 million), a net loss of HK\$48.0 million (2016: HK\$41.1 million loss) and a loss before interest, tax, depreciation and amortisation ("EBITDA loss") of HK\$22.6 million (2016: HK\$29.9 million loss), excluding results from associate.

Gross profit for the interim period increased by 18% over the corresponding prior period last year to HK\$33.5 million aided by the revenue increase of 5%. Gross profit margin for the period was approximately 54%, an improvement over the calendar 2016 full year and the equivalent 2016 interim period of 49%. The reason for this improvement was predominantly enhanced commercial terms when engaging both new and existing clients. Moreover, increased scalability of operations has allowed ECG to achieve greater margins from business expansion while operating within ECG's existing framework of resources.

ECG's EBITDA loss decreased by 24% on a year-on-year basis mainly due to the initiatives executed in the second quarter such as focusing on higher margin clients and reducing costs through streamlining processes and resources. The overall net loss expectedly increased to HK\$48.0 million for the current interim period over HK\$41.1 million for the same period last year, mainly due to amortisation expenses. These non-cash expenses increased as a result of a reduction in the remaining useful life of the key software intangible assets as previously disclosed in the 2016 full year results announcement.

Consolidated revenue for the period increased to HK\$61.5 million (2016: HK\$58.7 million) of which HK\$23.1 million (2016: HK\$24.9 million) was attributable to the eCommerce-enabling business while HK\$38.4 million (2016: HK\$33.8 million) was contributed by Amblique.

The slight drop in revenue of the eCommerce-enabling business was mainly due to the decrease in revenue of eFulfillment business as low profit margin clients were terminated. Yet, the decrease was partially offset by the increase in revenue of eOperations business as evidenced by the growth of online stores highlighted by more-than-double increase in Gross Merchandise Value at the mid-year sales event in June, the most important sales

event during the period. As a result, gross profit margins arising from this segment recorded a significant growth to 47% for the period (2016: 32%). We continued to see strong growth momentum and the receptiveness of Chinese consumers to these international merchants as evidenced by the growth trend of our eOperations business.

Amblique's revenue increased by 14% over the corresponding prior interim period while gross profit margin decreased slightly from 61% to 59%. This was mainly due to revenue increases driven by the sharing of clients sales generated from websites built under the reseller agreement which command a lower gross margin compared to business generated from website development and implementation. The latter remained stable for the first half of the year underpinned by new projects signed with Super Retail Group. Revenue under the reseller agreement represents an income commitment from client, increasing yearly, for a defined number of years after the website is implemented.

ECG's Executive Chairman, Mr. John Lau, said: "eCommerce continues to be a bright spot for the retail industry in China, and retailers have embraced omni-channel retailing as the way to sell and engage with their customers. Merchants, especially the international global brands, are more willing to develop their own brand sites for the China market to cater for the increasing demand of China's growing educated middle-class who has the ability to browse through international websites, and more importantly, the willingness, to search for premium products.

An omni-channel strategy including China brand site development supported by digital marketing activities is our recommendation for foreign retailers who wish to tap into the China market. From recent discussions with foreign retailers, we noted strong receptiveness of this strategy and the demand of service providers who are able to provide an integrated one-stop solution for its successful implementation. Leveraging on our comprehensive end-to-end solution, strong fulfillment capabilities, best-in-class technology infrastructure as well as international and local knowledge of the online retailing markets, we have the comparative advantages over local peers to facilitate international brands and merchants to establish their presence in China's online market. We believe this will become a very important driver of ECG's revenue in the immediate future." John commented.

### **Note to Editors**

The financial statements 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\$6.0031, according to the rate published by the Reserve Bank of Australia as of June 30, 2017.

## 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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