

## **2018 INTERIM FINANCIAL INFORMATION**

### **Highlights:**

- **Revenue of HK\$70.8 million [A\$11.7 million], up 15%**
- **Gross Profit of HK\$39.5 million [A\$6.5 million], up 18%**
- **Positive Operating Cash Flow for the fourth consecutive quarter**
- **90% improvement in adjusted EBITDA loss to HK\$2.1 million [A\$0.4 million]**
- **Net Loss of HK\$84.2 million [A\$13.9 million], up 75%**
- **Acquired 45% interest in Jessica's Suitcase and the appointment of Eva Zhang as CEO, and Jessica Rudd and Dennis Lin to the Board**

August 28, 2018 SYDNEY: eCargo Holdings Limited (ASX: ECG) (the "Company" or "ECG") today announced its interim financial results for the six months ended June 30, 2018 with a 15% growth in revenue to HK\$70.8 million, adjusted EBITDA loss decreased by 90% to HK\$2.1 million (2017: HK\$23.5 million loss), and net loss increased by 75% to HK\$84.2 million (2017: HK\$48.0 million loss), all on a year-on-year basis.

ECG CEO, Ms. Eva Zhang, said: "I am pleased to report that we are seeing continuing momentum from the successful implementation of our business transformation plan in the second half of 2017. Our strategic transformation is focused on improving cash flow and reducing costs without compromising revenue growth and this is reflected in today's result.

"Importantly, with the Company into its fourth quarter of positive cashflow, ECG is now in an excellent position to capitalise on the solid foundation we have set. The Company improved its adjusted EBITDA loss for the period over last interim was mainly attributable to the increase in gross profit to HK\$39.5 million, driven by our eCommerce enabling business and Amblique, the online storefront business, and increased labour productivity which also reduced labour cost. As well the Jessica's Suitcase business brought a level of credibility flowing through to new business generation.

This result indicates we are moving in the right direction and that the business is responding positively to the transformation."

Mr. John Lau, ECG Executive Chairman, said: "While we have stabilised the cash flow position, there is more to be done and we are consistently evaluating our business direction and environment. The integration of the Jessica's Suitcase business and its leadership team is an important step of refocusing the Company's strategies. We believe that the establishment of a corporate head office in Australia has also been the right decision for ECG, being an ASX company, to strengthen our focus on connecting Australian and New Zealand merchants to consumers in China."

### **Increasing revenue and gross profits support continuing positive cashflow**

Ms. Zhang said that the improvement in gross profit reflected the momentum established in negotiating better commercial terms with both new and existing clients, while revenue

growth benefited from growth in service income from operating on-line stores, and Amblique's 'storefront solutions' business.

"Taken together, these have provided a sustainable underpinning to cashflow which has been consistently positive for the last four quarters."

Gross profit for the current period increased by 18% to HK\$39.5 million and gross profit margin was approximately 56%, an improvement over the same period of 2017's 54%. The improvement was the momentum brought from 2017 to succeed in negotiating better commercial terms with both new and existing clients.

Consolidated revenue of the current period increased to HK\$70.8 million (2017: HK\$61.5 million) of which HK\$22.0 million (2017: HK\$21.9 million) was attributable to the eCommerce-enabling business while HK\$47.6 million (2017: HK\$38.4 million) was contributed by Amblique. There was no change to the licensing revenue of HK\$1.2 million attributed to the corporate segment.

Revenue of the eCommerce-enabling business maintained at a similar level as the same period of 2017 and was mainly contributed by the service income from operating online stores for principals of the eOperations and the eFulfilment business segments.

Amblique's revenue increased by 24% over the same period of 2017 which was mainly driven by the sharing of clients' sales generated from websites built under the reseller agreement. Revenue under the reseller agreement represents an income commitment from client, increasing yearly, for a defined number of years after the brand website goes live.

ECG's net loss mainly reflects the non-cash losses arising from the HK\$58.9 million impairment of the interest in an associate MM E-Commerce Limited, which operates a social shopping mobile platform in China, ECG's share of Jessica's Suitcase Pty Limited's losses of HK\$0.3 million.

Ms. Zhang, said: "Barring the non-cash losses, the significant improvement in EBITDA of the first half of 2018 over the same period of last year is testimony to the successful of last year's business transformation plan and demonstrated that ECG is on the right track on delivering results and values to its shareholders."

### **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\$6.0700, according to the rate published by the Reserve Bank of Australia as of June 30, 2018.

Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share of results of an associate, impairment provision for interest in an associate and impact of foreign exchange.

## 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 brands and retailers 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 and retailers online and offline through the development and marketing of eCommerce platforms, brand transactional sites and major marketplace platforms in China and in the region.

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