

## **ECG TO PURCHASE METCASH'S CHINA EXPORT BUSINESS**

- **ECG to acquire 85% of Metcash's China Business**
- **ECG to fulfil missing piece in Online to Offline (O2O) (offline distribution)**
- **ECG to enter into supply and other agreements with Metcash**
- **ECG to become the only ASX listed Chinese eCommerce and wholesale business**
- **Metcash's China Head to be appointed as Interim CEO of ECG**

November 8, 2018, SHANGHAI: eCargo Holdings Limited (ASX:ECG) ("ECG") is pleased to announce that it has entered into a binding Heads of Agreement ("HoA") with Metcash Trading Limited ("Metcash"), a wholly-owned subsidiary of Metcash Limited (ASX:MTS), one of Australia's largest wholesalers, to acquire 85% of Metcash Export Services Pty Limited which includes its China-based subsidiary Metcash Asia Limited, a wholly owned foreign enterprise in China.

### **Compelling proposition for future China growth**

Acquisition of the Metcash China export business allows ECG to create a one-stop offering for businesses intent on capturing the attention of China's growing consumer market, taking their products to Chinese virtual and bricks and mortar shelves. The combined businesses will offer:

- eCommerce operations and content generation services;
- Online incubation platform for small and emerging brands;
- B2C multi-platform, multi-brand eCommerce hub for established brands;
- B2B wholesale distributor in 1<sup>st</sup> - 4<sup>th</sup> tier cities with tailored market activation strategy; and
- Key Opinion Leader endorsement on key products.

Executive Chairman of ECG, Mr. John Lau said: "This transaction is the missing piece of the puzzle for ECG. The three key blocks are 1. Good products at a good price, 2. Good logistics, and 3. Good sales and marketing into the right channels. While we are good at logistics, the Metcash supply agreement gives us access to quality Australian products at competitive prices. ECG enables access to the key offline wholesale distribution channels in China particularly outside the Tier 1 and 2 cities."

Mr. Lau is the Founder of Cargo Services Far East, one of the most international logistics service providers based in Greater China with over 9,000 staff in 40 countries.

Speaking from Shanghai, Ms. Jessica Rudd, the Founder of Jessica's Suitcase and a non-executive director of ECG, said: "We are excited to continue to bring Chinese consumers the best Australia has to offer and I will continue on my role as the Lifestyle Ambassador of Alibaba in Australia to help Aussie businesses navigate the world of Chinese eCommerce."

Metcash Group CEO, Mr. Jeff Adams said: "China continues to provide a good opportunity for growth and we believe this arrangement, which includes retaining part ownership, fits well with our strategic direction. We are excited about the opportunity of combining ECG's China expertise and presence with Metcash's extensive purchasing capability, and look forward to supplying quality products to China through this venture."

Under the HoA, ECG will enter into individual agreements with Metcash covering supply, services and licencing to access Metcash's extensive sourcing capability and private label development in Australia. The consideration payable for the acquisition is A\$2.5 million plus 85% of the net asset value of the business which is estimated to be between A\$5.5 million and A\$7.4 million to be determined at completion and subject to review by an independent auditor at ECG's discretion, and deferred consideration of up to A\$3.5 million. The acquisition will be funded by a combination of ECG's existing cash reserves and facility available. The agreement is expected to be completed by the end of February 2019.

### **Metcash and its China business**

Metcash is Australia's leading wholesaler and distributor. The company supplies and supports more than 10,000 independent retailers and over 90,000 wholesale customers across the food, grocery, liquor and hardware industries. Metcash's retail customers operate some of Australia's leading independent brands, including IGA, Mitre 10, and Cellarbrations.

Metcash wholesales and distributes to a number of supermarkets and retail groups in China and operates cross-border eCommerce stores in key platforms of Alibaba's Tmall Global and JD Worldwide.

As part of the acquisition, the Metcash Shanghai-based team will be integrated with ECG teams in China. Metcash's Australian-based export team that services China will merge with the ECG Sydney-based team.

### **Changes to ECG leadership**

As part of the acquisition, and following the resignation of Ms. Eva Zhang from the role of CEO, Mr. Will Zhao, Metcash's current head of China operations based in Shanghai will assume the role of Interim CEO. Mr. Zhao will not be appointed as a director of ECG and accordingly there will not be any changes to the composition of the ECG Board. Prior to joining Metcash in 2016, Will spent seven years with Goodman Group in Australia, New Zealand, Hong Kong and China.

Mr. Zhao will be supported by Ms. Haiyun Chen, Metcash's head of China export development and to be appointed as ECG's Director of International Supply Chain, who will be based in Sydney. Ms. Chen has over thirteen years of sourcing experience at both Woolworths Limited and Metcash.

### **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 brand names of eCargo, Jessica's Suitcase and Amblique, providing on-demand digital commerce strategy, technology development and the related execution services for retailers and brands. Following the acquisition of Metcash's China business, ECG's service offering has extended to offline wholesale distribution channels in China.

eCargo acts as a "one-stop" enabling partner for designer fashion, branded apparel and retail companies seeking to sell their products online in China by providing integrated online and offline technology and supply chain solutions. Jessica's Suitcase, headquartered in Sydney, operates an eCommerce store on Alibaba's Tmall Global Platform, offering quality Australia and New Zealand groceries and foodstuff products to Chinese consumers through the cross-border online channel. Amblique is a leading digital commerce consultancy, providing retail strategy, eCommerce platform implementation and optimisation services in Australia and New Zealand.

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