

eCargo delivers Group-first net profit in 2021

Highlights:

- **Net Profit of HK\$0.9 million [A\$0.2 million] (FY20: HK\$39.5 million net loss);**
- **EBITDA of HK\$9.2 million [A\$1.6 million], up 21% year-on-year;**
- **Gross Profit of HK\$88.6 million, up 28% year-on-year; Gross Profit Margin improvement of 25pp;**
- **Operational expenses down 20%; Cash-profitability across all Group business lines for first time since IPO;**
- **Revenue of HK\$156.6 million [A\$27.7 million], due to focus on high margin products; removal of unprofitable businesses leaves group in strong position for FY22**

February 28, 2022 (SYDNEY): Asia import, distribution and sales accelerator eCargo Holdings Limited (ASX:ECG) ("eCargo" or "the Group") today announced financial results for the year ending 31 December 2021 (FY21), delivering the Group's first net profit since IPO, underpinned by a renewed focus on technology and higher margin products.

The results were primarily driven by new revenue streams resulting from early success of the Group's new technology-centric strategy, streamlining of key business centres, and continued implementation of operational efficiencies, resulting in cash-profitability across all key business lines.

The Group also achieved a 21% increase in EBITDA to HK\$9.2 million [A\$1.6 million] (FY20: HK\$7.6 million/A\$1.3 million), despite revenue falling by 28% to HK\$156.6 million [A\$27.7 million], as continued restructuring led to the removal of revenue-generating but unprofitable products, leaving the Group more focused and well-positioned to grow profitability in FY22.

The FY21 statutory net profit of HK\$0.9 million [A\$0.2 million] (FY20: net loss of HK\$39.5 million/A\$7.0 million) represented an important step forward for the business and demonstrates the success of the restructure under CEO Lawrence Lun's leadership.


Commenting on the FY21 results, eCargo's Executive Chairman John Lau said: "I am very proud of the achievements the business has made since the appointment of Lawrence Lun to Chief Executive Officer in 2020, starting with the delivery of the Group's first EBITDA profit in 2020, and continuing with the first net profit in 2021. eCargo is more efficient, focused, and better structured with exciting new initiatives that leave the business in an excellent position to grow in FY22 and beyond".

Commenting on the FY21 results, eCargo's Chief Executive Officer Lawrence Lun said: "Since returning to eCargo in September 2020, a key objective has been attaining profitability across the business. With the team's support and new strategy around

leveraging technologies to digitalise the supply chain, I'm happy to announce the delivery of our first group net profit. This is a testament to the positive impact of our restructure and efforts, success of our new technology-enablement business and strength in foundational eCommerce and distribution functions.

"We recorded a planned reduction in revenue, resulting from the removal of revenue-generating but unprofitable products and the conclusion of our reseller agreement with Salesforce Commerce Cloud. That said, the Group's EBITDA increase reflected improved margins and we are on the right path to generating more value. We built out our new technology-centric strategy with the launches of JuJiaXuan (JJX | <https://gojjx.com>) and PJF Wines, which have showcased early promise and will support further growth in FY22".

FY21 delivered Group's first net profit on the back of a strategy change and strong online Trading and Distribution (T&D) performance

(HK\$ million)		2021		2020	
		Revenue	EBITDA	Revenue	EBITDA
	T&D Online*	44.5	7.6	62.5	6.0
	T&D Offline	26.1	(5.1)	52.8	(6.1)
	Sub-total	70.6	2.5	115.3	(0.1)
	eCommerce Services**	83.6	14.9	100.8	14.8
	ECG Total	154.2	17.4	216.1	14.7
	Corporate Overhead	2.4	(8.2)	2.4	(7.1)
	TOTAL	156.6	9.2	218.5	7.6

* FY21 Trading and Distribution Online also includes revenue from JuJiaXuan (JJX) platform

** Comprises Fashion & Lifestyle and Amblique businesses

Trading and Distribution (T&D) streamlining leads to business' first positive EBITDA result; targeting continued business-wide profitability in FY22

Changing the Group's focus on product selection led to improvements in both EBITDA and net profit results across the business, as management executed on its strategy of focusing on optimising margins and increasing profitability.

The Group's first net profit in FY21 was underpinned by the T&D business, with the shift to new product categories and the launch of JuJiaXuan (JJX), an online B2B trading platform for suppliers to sell to buyers more efficiency, leading to strong improvements, and subsequently the division's first EBITDA profit. This division accounted for 45% of total Group revenue (FY20: 53%) with an EBITDA profit HK\$2.5 million, a significant improvement over FY20 (FY20 EBITDA loss: HK\$0.1 million).

In the offline T&D business, relating to the trading of goods to offline retail operators across China, removal of product lines that had minimal profit contributions (i.e. Wine, Confectionary, and Private-Label products), and clearing overstock from previous years

led to a fall in revenue and gross profit margin, but an improvement in EBITDA offset by new product mix (i.e. mother and baby products), reduce the loss to HK\$5.1 million. Revenue also fell as the Group shifted facilitation of traditional B2B trading to the JJX B2B digital platform.

The online T&D business, pertaining to sales of contracted consumer products on eCommerce platforms including Alibaba's Tmall and JD.com, as well as the new JJX B2B trading platform, experienced a fall in revenue, primarily due to shifting product mix to higher margin products and removing high volume products that generated lower margins. Trades conducted via the JJX platform continue to grow month-over-month as the Group shifts facilitation of offline trading to the platform. The online T&D business delivered a positive EBITDA result of HK\$7.6 million (FY20: profit of HK\$6.0 million), growing 27%, growth expected to continue in 2022 and onwards.

The Group's joint venture business in Vietnam and Cambodia, ABG, achieved strong sales of Blackmore's baby formula in region, contributing positively to the Group's bottom line. This growth is foreseen to continue as the portfolio of exclusive products from China to Southeast Asia is expanded in 2022.

eCommerce-services business bounced back in H2 FY21

The eCommerce-services business recovered in the second half, and although full year revenue was lower than FY20, falling to HK\$83.6 million (FY20: HK\$100.8 million), EBITDA of the overall function increased by 1% to HK\$14.9 million (FY20: HK\$14.8 million).

Amblique's business in Australia generated HK\$10.2 million in EBITDA, 16% less than 2020 (FY20: HK\$12.2 million), mainly driven from the loss of revenue from the reseller agreement with Salesforce Commerce Cloud. The business experienced stronger demand in FY21 in both the eCommerce project implementation and enhancements needed by Australian retailers. Additionally, brands were more willing to invest in their online business as online sales accelerated at a faster pace than offline retail benefiting the broader eCargo eCommerce services business.

The eCommerce services business in China generated EBITDA of HK\$4.7 million, an increase of 81% compared to the previous year (HK\$2.6 million). This was largely due to the introduction of the B2B online trading platform JJX, launched in early 2021, with the platform capturing a commission for every successful B2B trade conducted. Gross merchandise value on the platform grew in the second half as the Group shifted its' retail distribution network to leverage JJX to conduct purchases. The platform handled over 90 B2B orders between U.K. and Australia brands and eCargo's Retail Distribution Network in China during the second half of the year. eCargo expects that its' strategy to digitalise and therefore capitalise on functions across the supply chain will continue to contribute in FY22 and onwards as more services are added to the platform.

Outlook for FY22

Commenting on the outlook for FY22, Mr. Lun said: "Our recent restructure and reorganisation was aimed at streamlining our business centres, improving profitability and building on our foundational businesses, establishing eCargo as a leader in distribution, eCommerce and cross-border trade into China. Our strategic initiatives also supported the growth of our tech-enabled services division to assist international partners in growing

their export trade and digitising supply chain.

"Throughout the year, our focus on improving profitability across the business resulted in our first Group net profit. While reorganisation efforts across key business centres resulted in lower revenue, and assuming no unforeseen circumstances, the Group is in a healthier position to grow in FY22, with the ability to scale.

"During FY21 we launched multiple technology platforms aimed at accelerating the sales of international products into China through both B2B and B2C channels. We aim to leverage these platforms as a part of our tech focus, to underpin the next stage of our growth. JJX, our B2B trade platform streamlines distribution for overseas businesses and 品酒坊/PJF Wines, China's first content-centric Cross-border wine marketplace, makes high-demand but low-supply high-end wines widely available to mainland Chinese consumers; both platforms have experienced steady growth since launch, and we are well positioned to substantially grow these businesses throughout FY22."

END

This ASX announcement was approved and authorised for release by the Board of Directors of eCargo.

Notes

The underlying financial statements supporting the figures in this announcement are prepared in Hong Kong Dollars (HK\$) and all figures in Australian Dollars (A\$) are for reference only. The exchange rate applied to translate HK\$ into A\$ is A\$1.00=HK\$ 5.6584, according to the rate published by the Reserve Bank of Australia as of December 31, 2021.

Adjusted EBITDA is defined as earnings before non-cash items such as interest, tax, depreciation, amortisation, share of results of a joint venture, impairment provision for interest in goodwill, and impact of foreign exchange.

About eCargo Holdings Limited

eCargo Holdings Limited is an ASX-listed company offering solutions that connect global brands with Chinese buyers and provide the tools businesses need to grow their China sales. Their core focuses are in utilising technology and data to grow brands in China through their nationwide distribution and trading (online and offline) network.

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