



## **ASX PRELIMINARY FINAL REPORT**

**eCargo Holdings Limited**

**ARBN 601 083 069**

**December 31, 2018**

Lodged with ASX under Listing Rule 4.3A

This preliminary final report covers the consolidated entity, consisting of eCargo Holdings Limited and its controlled entities ("ECG" or the "Company"). The financial statements are presented in Hong Kong Dollars ("HK\$"), the official currency of Hong Kong, unless otherwise stated.

The report is based on accounts which are in the process of being audited.

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## Details of the reporting period and the previous corresponding period

Reporting period: January 1, 2018 to December 31, 2018  
 Prior corresponding period: January 1, 2017 to December 31, 2017

## Results for announcement to the market

### Key information

(HK\$)	Year ended December 31, 2018	Year ended December 31, 2017	% Change
Revenue from ordinary operations	134,458,649	144,488,130	-7%
Loss after income tax expense	(134,695,885)	(68,511,523)	+97%
Total comprehensive loss attributable to members of the Company	(139,034,787)	(62,723,394)	+122%

### Dividends

No dividends have been paid nor are any dividends proposed to be paid.

## Consolidated Statement of Comprehensive Income

Please refer to Appendix 1 – page 1

## Consolidated Statement of Financial Position

Please refer to Appendix 1 – page 2

## Consolidated Statement of Changes in Equity

Please refer to Appendix 1 – page 4

## Consolidated Statement of Cash Flows

Please refer to Appendix 1 – page 5

## Additional dividend information

The Company has not declared any dividends.

## Dividend reinvestment plan

The Company has no dividend reinvestment plan.

## Net tangible asset backing

Net tangible asset backing per ordinary share at:  
 December 31, 2018 (HK\$9.6 cents)  
 December 31, 2017 HK\$6.8 cents

At December 31, 2018, there were 615,250,000 shares in issue, which would convert to a net asset backing of HK\$7.5 cents per share (December 31, 2017: HK\$16.3 cents per share).

### **Controlled entities acquired or disposed of**

No controlled entities is being acquired or disposed of during the period.

### **Associates and joint venture entities**

During the year, ECG had equity accounted for the interest in associate.

### **Other significant information**

Other than the details disclosed herein, there is no other information that needs to be disclosed to investors.

### **Foreign entities**

The reports have been prepared under the Hong Kong Financial Reporting Standards.

### **Commentary on the operations and results**

ECG generated revenue of HK\$134.5 million (2017: HK\$144.5 million) of which HK\$32.5 million (2017: HK\$49.8 million) was attributable to eCommerce-enabling business, HK\$97.1 million (2017: HK\$92.3 million) was contributed by Amblique while HK\$2.5 million (2017: nil) was contributed by Jessica's Suitcase when ECG started to consolidate Jessica's Suitcase results in its group accounts following its full acquisition in November 2018. The remaining was licensing revenue of HK\$2.4 million attributed to the corporate segment same as the previous year.

ECG incurred net loss of HK\$134.7 million (2017: HK\$68.5 million loss) which mainly reflects the non-cash charges on the interests in associates such as (i) HK\$72.5 million impairment on MM-E-Commerce Limited; (ii) fair value gain on financial assets at fair value through profit or loss of HK\$13.9 million; and (iii) loss on disposal of interest in an associate of HK\$39.0 million. Apart from the non-cash items and the non-recurring costs, operating expenses were HK\$75.9 million (2017: HK\$96.9 million) with major savings coming from personnel cost which decreased from HK\$81.4 million of 2017 to this year's HK\$62.0 million.

The result was mainly attributable to the ongoing implementation of ECG's transformation which ECG achieved positive operating cash flow from the existing core business segments, closed non-core business that underperformed and identified acquisition targets that complements ECG's redefined strategies.

### **Statement as to the audit status**

The report is based on accounts which are in the process of being audited. The Company expects that the audit, when completed, will result in an unqualified audit opinion.

**eCARGO HOLDINGS LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 HK\$	2017 HK\$
Revenue	6	134,458,649	144,488,130
Cost of sales	7	(62,995,438)	(64,009,154)
<b>Gross profit</b>		<b>71,463,211</b>	<b>80,478,976</b>
Selling and distribution expenses	7	(11,273,130)	(14,072,090)
Administrative expenses	7	(89,007,217)	(122,619,228)
Research and development expenses	7	(5,638,052)	(9,533,022)
<b>Operating loss</b>		<b>(34,455,188)</b>	<b>(65,745,364)</b>
Finance income	11	46,358	41,235
Finance expense	11	(2,214,562)	(1,869,716)
Finance expense – net	11	(2,168,204)	(1,828,481)
Other (losses)/gains – net	10	(1,203,385)	1,143,879
Fair value gain on financial assets at fair value through profit or loss	29	13,930,290	-
Share of results of an associate	17	555,323	(2,331,406)
Provision for impairment of interest in an associate	17	(72,504,113)	-
Loss on disposal of interest in an associate	29	(38,992,851)	-
<b>Loss before income tax</b>		<b>(134,838,128)</b>	<b>(68,761,372)</b>
Income tax credit	12	142,243	249,849
<b>Loss for the year</b>		<b>(134,695,885)</b>	<b>(68,511,523)</b>
Loss for the year is attributable to:			
Owners of the Company		(134,401,793)	(68,511,523)
Non-controlling interests		(294,092)	-
		<b>(134,695,885)</b>	<b>(68,511,523)</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		(4,632,994)	5,788,129
<b>Total comprehensive loss for the year</b>		<b>(139,328,879)</b>	<b>(62,723,394)</b>
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(139,034,787)	(62,723,394)
Non-controlling interests		(294,092)	-
		<b>(139,328,879)</b>	<b>(62,723,394)</b>
<b>Loss per share for loss attributable to owners of the Company</b>			
- Basic and diluted (HK cents per share)	13	(22.03)	(12.80)

The notes on pages 6 to 65 are an integral part of these consolidated financial statements.

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	Note	2018 HK\$	2017 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	1,763,902	3,330,325
Intangible assets	15	105,259,791	50,877,676
Interests in associates	17	-	72,504,113
Deferred income tax assets	23	1,306,784	256,553
Prepayment and deposits	20	7,346,835	856,251
		<u>115,677,312</u>	<u>127,824,918</u>
<b>Current assets</b>			
Inventories		1,787,805	-
Trade receivables	19	18,415,962	33,635,520
Contract assets	5	3,767,479	-
Prepayments, deposits and other receivables	20	2,802,804	1,345,832
Amounts due from related parties	30	9,497,723	7,269,334
Current income tax assets		-	767,497
Cash and cash equivalents	21	17,614,983	12,702,478
		<u>53,886,756</u>	<u>55,720,661</u>
<b>Total assets</b>		<u>169,564,068</u>	<u>183,545,579</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	427,820,968	329,401,285
Currency translation reserve		(830,799)	3,802,195
Accumulated losses		(380,591,173)	(245,895,288)
<b>Total equity</b>		<u>46,398,996</u>	<u>87,308,192</u>

The notes on pages 6 to 65 are an integral part of these consolidated financial statements

**eCARGO HOLDINGS LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2018**

	Note	2018 HK\$	2017 HK\$
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	23	10,921,657	2,981,792
Borrowing	26	58,420,349	44,412,560
		<u>69,342,006</u>	<u>47,394,352</u>
		-----	-----
<b>Current liabilities</b>			
Trade payables	22	11,088,473	14,417,972
Contract liabilities	5	2,386,262	-
Other payables and accruals	22	17,155,766	16,847,678
Amounts due to related parties	30	21,371,406	17,577,385
Income tax payable		1,821,159	-
		<u>53,823,066</u>	<u>48,843,035</u>
		-----	-----
<b>Total liabilities</b>		<u>123,165,072</u>	<u>96,237,387</u>
		=====	=====
<b>Total equity and liabilities</b>		<u>169,564,068</u>	<u>183,545,579</u>
		=====	=====

The notes on pages 6 to 65 are an integral part of these consolidated financial statements.

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Currency translation reserve	Accumulated losses	Total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Balance at 1 January 2017</b>	329,401,285	(1,985,934)	(177,383,765)	150,031,586	-	150,031,586
<b>Comprehensive loss</b>						
Loss for the year	-	-	(68,511,523)	(68,511,523)	-	(68,511,523)
<b>Other comprehensive gain</b>						
Currency translation differences						
- ECG	-	1,412,425	-	1,412,425	-	1,412,425
- Associate	-	4,375,704	-	4,375,704	-	4,375,704
<b>Total comprehensive gain/(loss) for the year</b>	-	5,788,129	(68,511,523)	(62,723,394)	-	(62,723,394)
<b>Balance at 31 December 2017</b>	329,401,285	3,802,195	(245,895,288)	87,308,192	-	87,308,192
<b>Balance at 1 January 2018</b>	329,401,285	3,802,195	(245,895,288)	87,308,192	-	87,308,192
<b>Comprehensive loss</b>						
Loss for the year	-	-	(134,401,793)	(134,401,793)	(294,092)	(134,695,885)
<b>Other comprehensive loss</b>						
Currency translation differences						
- ECG	-	(4,632,994)	-	(4,632,994)	-	(4,632,994)
<b>Total comprehensive loss for the year</b>	-	(4,632,994)	(134,401,793)	(139,034,787)	(294,092)	(139,328,879)
Issue of shares (Note 24)	98,419,683	-	-	98,419,683	-	98,419,683
Transactions with non-controlling interests (Note 28)	-	-	(294,092)	(294,092)	294,092	-
<b>Balance at 31 December 2018</b>	427,820,968	(830,799)	(380,591,173)	46,398,996	-	46,398,996

The notes on pages 6 to 65 are an integral part of these consolidated financial statements.



**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 HK\$	2017 HK\$
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	25	3,905,514	(18,039,195)
Income tax refunded		742,168	2,133,498
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		4,647,682	(15,905,697)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Prepayment for the acquisition of a subsidiary	32	(6,960,375)	-
Purchase of property, plant and equipment	14	(2,035,712)	(334,143)
Purchase of intangible assets	15	-	(664,091)
Proceeds of disposal of property, plant and equipment	25	-	8,450
Step acquisition from an associate to a subsidiary, net of cash acquired	29	374,889	-
Interest received	11	46,358	41,235
		<hr/>	<hr/>
Net cash used in investing activities		(8,574,840)	(948,549)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from borrowing	30	9,500,000	22,573,655
		<hr/>	<hr/>
Net cash generated from financing activities		9,500,000	22,573,655
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		5,572,842	5,719,409
Cash and cash equivalents at beginning of year		12,702,478	6,386,966
Exchange (loss)/gain on cash and cash equivalents		(660,337)	596,103
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	21	17,614,983	12,702,478
		<hr/>	<hr/>

The notes on pages 6 to 65 are an integral part of these consolidated financial statements

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1 General information**

eCargo Holdings Limited (the “Company”) and its subsidiaries (collectively, the “ECG” or the “Group”) are principally engaged in the development and provision of eCommerce technologies, integrated offline and online supply chain operations, and provision of digital commerce solutions and services.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 13103N, ATL Logistics Centre B, 3 Kwai Chung Container Terminals, New Territories, Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

#### **2 Basis of preparation and summary of significant accounting policies**

##### **2.1 Statement of compliance**

The consolidated financial statements of ECG have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance (Cap.622).

##### **2.2 Basis of preparation of the financial statements**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying ECG’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.2 Basis of preparation of the financial statements (Continued)**

- (a) The following new and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2018, but do not have significant financial impact to ECG.

Annual Improvements Project HKFRS 1 and HKAS 28 HKFRS 2	Annual Improvements 2014-2016 Cycle (amendments)
HKFRS 4	Classification and Measurement of Share-based Payment Transactions (amendments)
HKFRS 9	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments)
HKFRS 15	Financial Instruments (new standard)
HKFRS 15	Revenue from Contracts with Customers (new standard)
HKAS 40	Clarifications to HKFRS 15 (amendments)
HK(IFRIC)-Int 22	Transfers of Investment Property (amendments)
	Foreign Currency Transactions and Advance Consideration (new interpretation)

ECG has initially applied HKFRS 9 and HKFRS 15 with effect from 1 January 2018 and has taken transitional provisions and methods not to restate comparative information for prior periods. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018.

#### **HKFRS 9, Financial Instruments**

The adoption of HKFRS 9 has resulted in changes in accounting policies. While the new policies are generally required to be applied retrospectively, ECG has taken transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening consolidated statement of financial position on 1 January 2018.

HKFRS 9 largely retains the requirements in HKAS 39 “Financial Instruments: Recognition and Measurement” for the classification and measurement of financial liabilities. The adoption of HKFRS 9 has not had a significant effect on ECG’s accounting policies related to financial liabilities and financial assets through profit or loss. However, HKFRS 9 eliminates the HKAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale (“AFS”). From 1 January 2018, ECG and, for the purpose of reporting for ECG’s financial statements, ECG’s associated companies are required to classify and measure financial assets in accordance with HKFRS 9 categories: as measured at amortised cost, at fair value either through other comprehensive income (“FVOCI”) or through profit or loss (“FVPL”).

The adoption of HKFRS 9 has not had a significant effect on ECG’s accounting policies related to the classification and measurement of financial assets and liabilities.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.2 Basis of preparation of the financial statements (Continued)**

- (a) The following new and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2018, but do not have significant financial impact to ECG. (Continued)

###### *(i) Measurement*

Subsequent to initial recognition, debt instruments financial assets are measured as follows.

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment losses and reversals, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to, and recognised in, profit or loss.

**FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI, or assets that are designated at FVPL using fair value option, are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in the fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when ECG's right to receive payments is established. Where an election is made to present fair value gains and losses on equity investments in other comprehensive income, unlike the previous policies under HKAS 39 there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

###### *(ii) Impairment of financial assets*

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking "expected credit loss" ("ECL") model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the new expected loss approach, ECG assesses on a forward looking basis the expected credit losses associated with its financial assets. The new impairment model applies to trade receivables and contract assets. ECG applies the simplified approach to recognise lifetime expected losses for trade receivables and contract assets. The application of this new guidance represents a change in accounting policy. ECG was required to revise its impairment methodology under HKFRS 9 for these classes of assets. The results of the revision at 1 January 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of ECG's trade receivables and contract assets.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2 Basis of preparation and summary of significant accounting policies (Continued)

##### 2.2 Basis of preparation of the financial statements (Continued)

- (a) The following new and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2018, but do not have significant financial impact to ECG. (Continued)

#### **HKFRS 15, Revenue from Contracts with Customers**

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. ECG has elected to apply the modified retrospective approach for transition to the new revenue standard. Under this transition approach, comparative information for prior periods is not restated, ECG recognises the cumulative effect of initially applying the guidance as adjustments to the opening balance of retained profits (or other component of equity, as appropriate) on 1 January 2018, and ECG applies the new guidance only to contracts that are not yet completed on that date.

Set out below are details of the changes in significant accounting policies under HKFRS 15 that have been applied from 1 January 2018, where they are different to those applied in prior periods which are disclosed in the 2017 Annual Financial Statements.

Under HKFRS 15, revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. The new revenue standard introduces specific criteria for determining when revenue is recognised. The adoption of HKFRS 15 does not have a significant impact on when ECG recognises revenue from provision of services.

The contract assets primarily relate to ECG's rights to consideration for services that are performed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when ECG issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received from customers, where ECG has the unconditional right to considerations before the services are delivered.

#### **Effect on adoption of HKFRS 15**

Under the transition methods chosen, ECG recognises cumulative effect of the initial application of HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the interim condensed consolidated statement of financial position that has been impacted by HKFRS 15.

	As at 31 December 2017 HK\$	HKFRS 15 HK\$	As at 1 January 2018 As adjusted HK\$
Statement of financial position			
<b>Current assets</b>			
Trade receivables	33,635,520	(8,394,071)	25,241,449
Contract assets	-	8,394,071	8,394,071
<b>Current liabilities</b>			
Contract liabilities	-	2,324,144	2,324,144
Other payables and accruals	16,847,678	(2,324,144)	14,523,534

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2 Basis of preparation and summary of significant accounting policies (Continued)**

**2.2 Basis of preparation of the financial statements (Continued)**

- (b) The following new standards, amendments/revisions to standards and interpretation have been issued, but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by ECG.

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015-2017 Cycle (amendments)	1 January 2019
HKAS 19	Plan Amendment, Curtailment or Settlement (amendments)	1 January 2019
HKAS 28	Long-term Interests in Associates and Joint Ventures (amendments)	1 January 2019
HKFRS 9	Prepayment Features with Negative Compensation (amendments)	1 January 2019
HKFRS 16	Leases (new standard)	1 January 2019
HKFRS 17	Insurance Contracts (new standard)	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.2 Basis of preparation of the financial statements (Continued)**

- (b) The following new standards, amendments/revisions to standards and interpretation have been issued, but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by ECG. (Continued)

##### **HKFRS 16, Leases**

###### **Nature of change**

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

ECG has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the ECG's operating leases.

Under HKAS 17, lessees were required to make a distinction between a finance lease (on the consolidated statement of financial position) and an operating lease (off balance sheet). HKFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The new standard will impact both the consolidated statement of financial position and related ratios (capital adequacy ratio and leverage ratio), but the impact will not be material. If ECG early adopts HKFRS 16, as at 31 December 2018, the amount of operating leasing commitment amounted to HK\$4,116,992 (31 December 2017: HK\$4,578,911) (Note 27) would be recognised on the consolidated statement of financial position as asset and liability. As such, ECG's total assets and liabilities would be affected by a similar magnitude and have consequential effects on the ECG's capital adequacy ratio and leverage ratio.

###### **Date of adoption by ECG**

ECG will apply the standard from its mandatory adoption date of 1 January 2019. ECG intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **2 Basis of preparation and summary of significant accounting policies (Continued)**

### **2.3 Subsidiaries**

#### **2.3.1 Consolidation**

A subsidiary is an entity (including a structured entity) over which ECG has control. ECG controls an entity when ECG is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to ECG. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated.

#### **2.3.2 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### **2.3.3 Associates**

An associate is an entity over which ECG has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. ECG's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and ECG's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

ECG's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When ECG's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, ECG does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

ECG determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, ECG calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of investments accounted for using equity method" in the consolidated statement of comprehensive income.



## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.3.3 Associates (Continued)**

Profits and losses resulting from upstream and downstream transactions between ECG and its associate are recognised in ECG's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by ECG.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

##### **2.4 Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by ECG
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. ECG recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (“CODM”), who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. The CODM are the key management personnel of ECG and may include directors.

##### **2.6 Foreign currency translation**

###### **(a) Functional and presentation currency**

Items included in the financial statements of each of the entities of ECG are measured using the currency of the primary economic environment in which the entities operate (the “functional currency”). The consolidated financial statements are presented in HK\$ which is the Company’s functional and presentation currency and ECG’s presentation currency.

###### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within administrative expenses in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within “other (losses)/gains – net”.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

###### **(c) Group companies**

The results and financial position of all ECG entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.7 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to ECG and that cost of the item can be measured reliably. The carrying amount of the replaced part is recognised. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	over the shorter of remaining lease term and useful life
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within administrative expenses in the consolidated statement of comprehensive income.

##### **2.8 Intangible assets**

###### **(a) Goodwill**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.8 Intangible assets (Continued)**

(b) Brand name

The brand name acquired in a business combination is recognised at fair value at the acquisition date. The brand has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over its estimated useful life of 10 years.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships of 5 years.

(d) Supplier relationships

Supplier relationships acquired in a business combination are recognised at fair value at the acquisition date. The supplier relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships of 5 years.

(e) Software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by ECG are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years. The amortisation expense is recognised in administrative expenses of the consolidated statement of comprehensive income.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **2 Basis of preparation and summary of significant accounting policies (Continued)**

### **2.9 Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.10 Investment and other financial assets**

#### **(i) Classification**

From 1 January 2018, ECG classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether ECG has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

ECG reclassifies debt investments when and only when its business model for managing those assets changes.

#### **(ii) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which ECG commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and ECG has transferred substantially all the risks and rewards of ownership.

#### **(iii) Measurement**

At initial recognition, ECG measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.10 Investment and other financial assets (Continued)**

###### **(iii) Measurement (Continued)**

###### **Debt instruments**

Subsequent measurement of debt instruments depends on ECG's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which ECG classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

###### **Equity instruments**

ECG subsequently measures all equity investments at fair value. Where ECG's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when ECG's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.10 Investment and other financial assets (Continued)**

###### **(iv) Impairment**

From 1 January 2018, ECG assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, ECG applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

###### **(v) Accounting policies applied until 31 December 2017**

ECG has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with ECG's previous accounting policy.

Until 31 December 2017 ECG classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss, and
- loans and receivables

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period. See Note 18 for details about each type of financial asset.

###### **(i) Reclassification**

ECG could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, ECG could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if ECG had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.10 Investment and other financial assets (Continued)**

(v) Accounting policies applied until 31 December 2017 (Continued)

(ii) Subsequent measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables was subsequently carried at amortised cost using the effective interest method.

(iii) Impairment

ECG assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, ECG could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

##### **2.11 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.12 Trade and other receivables**

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

##### **2.13 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

##### **2.14 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

##### **2.15 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### **2.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless ECG has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### **2.17 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.18 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### **(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where ECG, its subsidiaries and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### **(b) Deferred income tax**

###### **(i) Inside basis differences**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is recognised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

###### **(ii) Outside basis differences**

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by ECG and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

##### **(c) Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.19 Employee benefits**

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus plan

The expected cost of bonus payment is recognised as a liability when ECG has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) Pension obligations

ECG companies incorporated in Hong Kong operate a defined contribution plan, which is the Mandatory Provident Fund Scheme (“MPF Scheme”) established under and pursuant to the Mandatory Provident Fund Ordinance.

The MPF Scheme is generally funded by the payments from employees and by ECG. Contributions to the scheme by ECG and employees are calculated as a percentage of employees’ basic salaries. ECG has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

ECG’s contributions to defined contribution plan are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held in separate trustee-administered funds.

ECG companies incorporated in the PRC and Australia contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC and Australia on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and ECG has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of ECG.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Basis of preparation and summary of significant accounting policies (Continued)**

##### **2.20 Provisions**

Provisions are recognised when ECG has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

##### **2.21 Revenue recognition**

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if ECG's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as ECG performs; or
- does not create an asset with an alternative use to ECG and ECG has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. ECG use the output methods to measure the progress towards, recognising revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, ECG allocates revenue to each performance obligation based on its relative standalone selling price. ECG generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, ECG presents the contract in the statement of financial position as a contract assets or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **2 Basis of preparation and summary of significant accounting policies (Continued)**

### **2.21 Revenue recognition (Continued)**

A contract asset is ECG's right to consideration in exchange for goods and services that ECG has transferred to a customer. A receivable is recorded when ECG has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or ECG has a right to an amount of consideration that is unconditional, before ECG transfers a good or service to the customer, ECG presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is ECG's obligation to transfer goods or services to a customer for which ECG has received consideration (or an amount of consideration is due from the customer).

### **2.22 Interest income**

Interest income on financial assets at amortised cost (2017: loans and receivable) is calculated using the effective interest method is recognised in the consolidated statement of comprehensive income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purpose. Any other interest income is included in other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### **2.23 Loss per share**

#### **(i) Basic loss per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **2 Basis of preparation and summary of significant accounting policies (Continued)**

### **2.23 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

ECG leases certain property, plant and equipment. Leases of property, plant and equipment where ECG has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant, and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

## **3 Financial risk management**

### **3.1 Capital management**

ECG's objectives when managing capital are to safeguard ECG's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

ECG actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of ECG and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, ECG may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management

##### 3.2 Credit risk

At the date of the consolidated statement of financial position, 42% (2017: 27%) of the total receivables was due from ECG's largest five debtors. Accordingly, ECG's consolidated results would be heavily affected by the financial capability of these debtors to fulfill their obligations with ECG. ECG's credit risk monitoring activities relating to the debtors include review of the credit profile, business prospects, background and their financial capacity.

Substantially all of the bank deposits and cash at banks are held in a major financial institution, which management believes are of high credit quality.

ECG applies the HKFRS 9 simplified approach to measuring expected credit losses which permits the use of a lifetime expected loss allowance for all trade receivables and contract assets as at 31 December 2018 and 2017. ECG recognised lifetime expected loss provision for all trade receivables and contract assets carried at amortised cost based on either individually customers who are long overdue with significant amounts or known insolvencies or non-response to collection activities, or collectively assessing them for likelihood of recovery based on ageing of the balances with similar risk characteristics taking into account the forward looking information.

The loss allowance provision as at 31 December 2018 and 2017 is illustrated below:

<b>As at 31 December 2018</b>	<b>Lifetime expected loss rate</b>	<b>Gross carrying amount</b>	<b>Lifetime expected credit loss</b>	<b>Net carrying amount</b>
Individual assessment	100%	221,800	(221,800)	-
Collective assessment				
Current		13,404,234	-	13,404,234
Past due:				
1 to 30 days	0.1%	4,365,056	-	4,365,056
31 to 60 days	0.1%	864,487	-	864,487
61 to 90 days	0.2%	246,009	-	246,009
Over 90 days	0.5%	3,303,655	-	3,303,655
		22,183,441	-	22,183,441
<b>As at 31 December 2017</b>				
Individual assessment	100%	255,824	(255,824)	-
Collective assessment				
Current		22,726,790	-	22,726,790
Past due:				
1 to 30 days	0.1%	4,917,321	-	4,917,321
31 to 60 days	0.1%	3,645,019	-	3,645,019
61 to 90 days	0.2%	1,195,010	-	1,195,010
Over 90 days	0.5%	1,151,380	-	1,151,380
		33,635,520	-	33,635,520

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **3 Financial risk management**

##### **3.2 Credit risk (Continued)**

In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in ECG's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in Note 19.

Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The directors consider ECG's credit risk of these receivables to be low except for the impaired trade receivable disclosed in Note 19.

##### **3.3 Liquidity risk**

ECG adopts prudent liquidity risk management and maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The contractual undiscounted cash flows of ECG's financial liabilities, which include trade and other payables and amounts due to related parties, are due within 12 months and approximate their carrying amounts as the impact of discounting is not significant.

##### **3.4 Foreign exchange risk**

ECG mainly operates in Hong Kong, the PRC and Australia, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB"), Australian Dollars ("A\$"), United States Dollars ("US\$") and New Zealand Dollars ("NZ\$").

Foreign exchange risk arises mainly from future commercial transactions, recognised assets and liabilities.

ECG manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. ECG currently does not have a foreign currency hedging policy.

At 31 December 2018, if HK\$ had strengthened/weakened by 5% against the A\$ with all other variables held constant, post-tax loss for the year would change by approximately HK\$389,000 (2017: HK\$183,000), mainly as a result of foreign exchange losses/gains on translation of trade receivables and other receivables, trade and other payables and bank deposits denominated in the A\$.

At 31 December 2018, if HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax loss for the year would change by approximately HK\$323,000 (2017: HK\$215,000), mainly as a result of foreign exchange losses/gains on translation of trade receivables and other receivables, trade and other payables and bank deposits denominated in the RMB.

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At 31 December 2018, if HK\$ had strengthened/weakened by 5% against the NZ\$ with all other variables held constant, post-tax loss for the year would change by approximately HK\$101,000 (2017: HK\$52,000), mainly as a result of foreign exchange losses/gains on translation of trade receivables, trade and other payables and bank deposits denominated in the NZ\$.

The foreign exchange exposure for the US\$ is considered minimal as HK\$ is pegged with the US\$.



## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **3 Financial risk management**

##### **3.5 Cash flow and fair value interest rate risk**

ECG's interest rate risk arises from borrowing, which is issued at variable rate exposes ECG to cash flow interest rate risk which is partially offset by cash held at variable rates. ECG currently does not hedge its exposure to cash flow and fair value interest rate risk. ECG analyses its interest rate exposure on a regular basis and will consider the interest rate exposure when enter into any financing, renewal of existing positions and alternative financing transactions.

ECG's practice is to manage its interest income/cost through monitoring and reviewing interest rate changes in the market and its impact to the ECG's financial performance. During the year, ECG's borrowing at variable rate was denominated in HK\$.

At 31 December 2018, if interest rate on borrowing held at variable rate had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK\$226,000 (2017: HK\$177,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowing.

##### **3.6 Fair value estimation**

ECG's financial instruments include "cash and cash equivalents", "trade receivables", "deposits and other receivables", "amounts due from related parties", "trade and other payables", "amounts due to related parties" and "borrowing". The carrying amounts less impairment of these balances are a reasonable approximation of their fair values due to their short term maturities.

#### **4 Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

ECG makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **(a) Impairment assessment of long-lived assets**

At the end of each reporting period, ECG reviews internal and external sources of information to identify indications that the following classes of asset may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Intangible assets; and
- Interest in associates

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **4 Critical accounting estimates and judgments (Continued)**

(a) Impairment assessment of long-lived assets (Continued)

The sources utilised to identify indications of impairment are often subjective in nature and ECG is required to use judgment in applying such information to its business. ECG's interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period.

If an indication of impairment is identified, such information is further subject to an exercise that requires ECG to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on ECG's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, ECG may perform such assessments utilising internal resources or ECG may engage external advisors for counsel. Regardless of the resources utilised, ECG is required to make assumptions to make these assessments, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

(b) Valuation of fair value of identifiable assets acquired and liabilities assumed in respect of acquisitions

The purchase price was allocated to the identifiable assets acquired and liabilities assumed based on management's estimated of fair value. The valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, management judgments is required in assessing whether the appropriate key assumptions such as the growth rate and discount rates to be applied in the preparation of cash flow projections. Changing the assumptions could affect the fair value of identifiable assets acquired and liabilities assumed in the process of purchase price allocation and as a result affect the amounts of goodwill and intangible assets arising from acquisitions and the financial position of ECG.

#### **5 Segment information**

Management have determined the operating segments based on the information reviewed by the Board of Directors for the purpose of allocating resources and assessing performance.

The CODM considers the business from both geographic and services perspective and concluded the segments as eCommerce Business Services in Greater China ("Greater China") and eCommerce Solution Services in Australia ("Australia"). The CODM assesses and measures the operating performance of ECG based on the revenue, gross profit and EBITDA (excluding net foreign exchange loss) as management believes that such information is the most relevant in evaluating the results of ECG's segments. EBITDA loss excluding impact of foreign exchange represents loss before income tax, depreciation of property, plant and equipment, amortisation of intangible assets, gain or loss on disposal of property, plant and equipment, net finance income, ECG's share of results of associates and provision for impairment of interest in an associate.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

Information regarding ECG's reportable segments as provided to ECG's CODM is set out below:

			<b>2018</b>	
	Greater China HK\$	Australia HK\$	Unallocated Corporate Income/ (Expense) HK\$	Consolidated HK\$
<b>Revenue from external customers</b>	32,947,713	97,010,212	-	129,957,925
<b>Revenue from related companies (Note 30)</b>	2,100,724	-	2,400,000	4,500,724
	<u>35,048,437</u>	<u>97,010,212</u>	<u>2,400,000</u>	<u>134,458,649</u>
<b>Gross profit</b>	<u>16,246,429</u>	<u>52,816,782</u>	<u>2,400,000</u>	<u>71,463,211</u>
<b>EBITDA (loss)/gain – excluding impact of foreign exchange</b>	(4,281,014)	6,312,500	(12,122,156)	(10,090,670)
Net foreign exchange loss	(723,727)	(35,692)	(443,966)	(1,203,385)
Depreciation of property, plant and equipment	(382,451)	(234,106)	(561,585)	(1,178,142)
Amortisation of intangible assets	-	(1,835,145)	(21,351,231)	(23,186,376)
Finance income	5,381	38,043	2,934	46,358
Finance expense	-	-	(2,214,562)	(2,214,562)
Share of profit of an associate	-	-	555,323	555,323
Provision for impairment of interest in an associate	-	-	(72,504,113)	(72,504,113)
Fair value gain on financial assets at fair value through profit or loss	-	-	13,930,290	13,930,290
Loss on disposal of interest in an associate	-	-	(38,992,851)	(38,992,851)
	<u>(5,381,811)</u>	<u>4,245,600</u>	<u>(133,701,917)</u>	<u>(134,838,128)</u>
(Loss)/profit before income tax	(5,381,811)	4,245,600	(133,701,917)	(134,838,128)
Income tax (expense)/credit	(25,969)	(770,265)	938,477	142,243
	<u>(5,407,780)</u>	<u>3,475,335</u>	<u>(132,763,440)</u>	<u>(134,695,885)</u>
(Loss)/profit for the year	<u>(5,407,780)</u>	<u>3,475,335</u>	<u>(132,763,440)</u>	<u>(134,695,885)</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

Information regarding ECG's reportable segments as provided to ECG's CODM is set out below:

		<b>2017 (Restated)</b>		
	Greater China HK\$	Australia HK\$	Unallocated Corporate Income/ (Expense) HK\$	Consolidated HK\$
<b>Revenue from external customers</b>	46,399,371	92,267,995	-	138,667,366
<b>Revenue from related companies (Note 30)</b>	3,420,764	-	2,400,000	5,820,764
	<u>49,820,135</u>	<u>92,267,995</u>	<u>2,400,000</u>	<u>144,488,130</u>
<b>Gross profit</b>	<u>22,359,207</u>	<u>55,719,769</u>	<u>2,400,000</u>	<u>80,478,976</u>
<b>EBITDA (loss)/gain – excluding impact of foreign exchange</b>	(6,890,082)	5,215,794	(14,718,814)	(16,393,102)
Net foreign exchange gain/(loss)	277,976	(261,255)	1,127,158	1,143,879
Gain/(loss) on disposal of property, plant and equipment	8,450	(13,591)	-	(5,141)
Depreciation of property, plant and equipment	(719,684)	(214,867)	(804,029)	(1,738,580)
Amortisation of intangible assets	-	(1,847,535)	(45,761,006)	(47,608,541)
Finance income	-	35,601	5,634	41,235
Finance expense	-	-	(1,869,716)	(1,869,716)
Share of loss of associates	-	-	(2,331,406)	(2,331,406)
(Loss)/profit before income tax	<u>(7,323,340)</u>	<u>2,914,147</u>	<u>(64,352,179)</u>	<u>(68,761,372)</u>
Income tax (expense)/credit	-	(467,584)	717,433	249,849
(Loss)/profit for the year	<u>(7,323,340)</u>	<u>2,446,563</u>	<u>(63,634,746)</u>	<u>(68,511,523)</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

The segment assets as at 31 December 2018 and 2017 are as follows:

	Greater China HK\$	Australia HK\$	Unallocated Corporate Assets/ Liabilities HK\$	Consolidated HK\$
<b>As at 31 December 2018</b>				
Segment assets	33,281,776	35,561,430	98,685,150	167,528,356
Interest in an associate	-	-	-	-
Additions to non-current assets	1,779,160	256,552	-	2,035,712
	<u>35,060,936</u>	<u>35,817,982</u>	<u>98,685,150</u>	<u>169,564,068</u>
Segment liabilities	<u>31,352,046</u>	<u>24,779,599</u>	<u>67,033,427</u>	<u>123,165,072</u>
<b>As at 31 December 2017 (As restated)</b>				
Segment assets	48,109,981	37,836,539	23,840,159	109,786,679
Interest in associates	-	-	72,504,113	72,504,113
Additions to non-current assets	4,836	993,398	-	998,234
Deferred tax assets	-	256,553	-	256,553
	<u>48,114,817</u>	<u>39,086,490</u>	<u>96,344,272</u>	<u>183,545,579</u>
Segment liabilities	<u>18,357,216</u>	<u>30,485,819</u>	<u>47,394,352</u>	<u>96,237,387</u>

Information about major customer

For the year ended 31 December 2018, there were two single external customers contributing 10% or more of ECG's total revenue.

For the year ended 31 December 2017, there was no single external customer contributing 10% or more of ECG's total revenue.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

ECG has recognised the following assets and liabilities related to contracts with customers:

	31 December 2018 HK\$	31 December 2017* HK\$
Contract assets	3,767,479	-
Contract liabilities	2,386,262	-

*Significant changes in contract assets and liabilities*

During the year ended 31 December 2018, the balances of contract assets have decreased since less unbilled amount. ECG also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. No impairment was made as at 31 December 2017 and 2018.

There is no significant changes in contract liabilities

*Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	31 December 2018 HK\$	31 December 2017* HK\$
<i>Revenue recognised that was included in the contract liability balance at the beginning of the year</i>		
Services income	2,324,144	-

\* Reclassified and remeasured amounts – see note 2.2 for explanations

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6 Revenue**

Revenue recognised during the year was as follows:

	2018 HK\$	2017 HK\$
Revenue		
- Service income	132,432,176	144,488,130
- Sales of goods	2,026,473	-
	<u>134,458,649</u>	<u>144,488,130</u>

**7 Expenses by nature**

	2018 HK\$	2017 HK\$
Outsourced services fulfilment expenses, included in cost of sales	13,369,784	21,329,593
Outsourced web development and IT consultation costs, included in cost of sales	3,675,987	6,131,336
Subscription expense for software application, included in cost of sales	44,193,430	36,548,225
Cost of inventories – included in cost of sales	1,756,237	-
Auditor's remuneration	1,643,750	1,000,000
Employee benefit expenses (Note 8)	62,308,948	81,607,439
Outsourced labour costs	600,000	614,020
Amortisation of intangible assets (Note 15)	23,186,376	47,608,541
Depreciation of property, plant and equipment (Note 14)	1,178,142	1,738,580
Legal and professional expenses	4,208,132	2,101,756
Travel expenses	2,376,829	2,343,038
Operating leases rental	4,106,910	4,039,133
IT expenses	1,745,954	1,315,920
Marketing expenses	548,500	632,404
Utilities and maintenance expenses	1,065,752	1,007,107
Telecommunication expenses	291,620	575,282
Insurance expenses	206,115	188,559
Loss on disposal of property, plant and equipment (Note 25)	-	5,141
Provision for impairment of trade receivables (Note 19)	-	255,824
Direct written off of trade receivables	-	13,449
Other expenses	2,451,371	1,178,147
	<u>62,308,948</u>	<u>81,607,439</u>

**8 Employee benefit expenses (including Directors' emoluments)**

	2018 HK\$	2017 HK\$
Wages and salaries	57,561,528	75,776,656
Pension costs	3,713,874	4,802,557
Other employee benefits and welfare	1,033,546	1,028,226
	<u>62,308,948</u>	<u>81,607,439</u>

# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Benefits and interests of Directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G))

#### (a) Directors' emoluments

The remuneration of each Director is set out below:

For the year ended 31 December 2018:

Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company undertaking:

				Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	<u>Fees</u> HK\$	<u>Salary</u> HK\$	<u>Others*</u> HK\$	<u>scheme</u> HK\$	<u>as Director</u> HK\$	<u>undertaking</u> HK\$	<u>HK\$</u>
Mr. John Lau	-	-	-	-	-	-	-
Mr. Christopher Lau <sup>1</sup>	-	-	-	-	-	-	-
Mr. Rupert Myer AO#	88,980	-	-	-	-	-	88,980
Mr. Christopher Ryan <sup>3</sup>	46,610	-	-	-	-	-	46,610
Mr. Heath Zarin#	-	-	-	-	-	-	-
Ms. Jessica Rudd <sup>4</sup>	89,987	-	-	-	-	-	89,987
Mr. Dennis Lin <sup>2</sup>	67,488	-	-	-	-	-	67,488
	<u>293,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,065</u>

#: Independent Non-Executive Directors

\*: Included discretionary bonuses, housing allowance and estimated money value of other benefits

1: Re-designated from executive director to non-executive director on 14 March 2018

2: Appointed on 9 April 2018

3: Resigned on 9 April 2018

4: Appointed on 24 January 2018



# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Benefits and interests of Directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (Continued)

#### (a) Directors' emoluments (Continued)

For the year ended 31 December 2017:

Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company undertaking:

				Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	<u>Fees</u>	<u>Salary</u>	<u>Others*</u>	<u>scheme</u>	<u>as Director</u>		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. John Lau	-	-	-	-	-	-	-
Mr. Christopher Lau	-	2,672,000	-	12,000	-	-	2,684,000
Mr. Rupert Myer AO#	106,833	-	-	-	-	-	106,833
Mr. Christopher Ryan#	106,833	-	-	-	-	-	106,833
Mr. Heath Zarin#	-	-	-	-	-	-	-
Ms. Jessica Rudd	-	-	-	-	-	-	-
Mr. Dennis Lin	-	-	-	-	-	-	-
	<u>213,666</u>	<u>2,672,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>2,897,666</u>

#: Independent Non-Executive Directors

\*: Included discretionary bonuses, housing allowance and estimated money value of other benefits

#### (b) Directors' retirement benefits and termination benefits

None of the Directors received or will receive any retirement benefits or termination benefits during the year (2017: Nil).

#### (c) Consideration provided to third parties for making available Directors' services

The Company does not pay consideration to any third parties for making available Directors' services during the year (2017: Nil).

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**9 Benefits and interests of Directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (Continued)**

- (d) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors

No loans, quasi-loans and other dealing were made in favour of Directors, controlled bodies corporate by and connected entities with such Directors at the end of the year or at any time during the year (2017: Nil).

- (e) Directors' material interests in transactions, arrangements or contracts

Other than those disclosed in Note 30 to the financial statements, no significant transactions, arrangements and contracts in relation to ECG's business to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**10 Other (losses)/gains - net**

	2018 HK\$	2017 HK\$
Net foreign exchange (loss)/gain	(1,203,385)	1,143,879

**11 Finance expense - net**

	2018 HK\$	2017 HK\$
Interest income:		
- Interest income on short-term bank deposits	46,358	41,235
Interest expense:		
- Interest expense on borrowing (Note 30 (i))	(2,214,562)	(1,869,716)
Finance expense - net	(2,168,204)	(1,828,481)

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12 Income tax credit**

	2018 HK\$	2017 HK\$
Australian corporate tax		
- Current income tax	1,920,285	(399,681)
- Over-provision in prior year	-	(567,600)
-		
PRC corporate tax		
- Current income tax	25,969	-
-		
Deferred income tax (Note 23)	(2,088,497)	717,432
Income tax credit	<u>(142,243)</u>	<u>(249,849)</u>

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax, for the year ended 31 December 2018, Hong Kong profit tax is levied at progressive rates at 8.25% on the taxable income below HK\$2,000,000, and thereafter at a fixed rate at 16.5% (2017: fixed rate at 16.5%). No provision for Hong Kong profits tax has been made as ECG had no assessable profit for the year ended 31 December 2018 in Hong Kong (2017: Nil).

Subsidiaries established in Australia and the PRC are subject to 30% (2017: 30%) and 25% (2017: 25%) income tax rate during the year respectively.

The tax on ECG's loss before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to losses in the respectively of ECG companies as follows.

	2018 HK\$	2017 HK\$
Loss before income tax	<u>(134,838,128)</u>	<u>(68,761,372)</u>
Tax calculated at a domestic tax rates applicable loss in the respective countries	(21,997,602)	(11,165,735)
Tax effect of:		
- Associates' results reported net of tax	(91,628)	384,682
- Income not subject to tax	(2,917,077)	(1,320)
- Expenses not deductible for tax purposes	21,563,876	7,319,237
- Over-provision in prior year	-	(567,600)
- Tax losses for which no deferred income tax assets were recognised	3,798,759	3,780,887
- Utilization of previously unrecognised tax loss	(498,571)	-
Income tax credit	<u>(142,243)</u>	<u>(249,849)</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****13 Loss per share****(a) Basic**

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018 HK\$	2017 HK\$
Loss attributable to owners of the Company	134,401,793	68,511,523
Weighted average number of ordinary shares in issue	610,193,151	535,000,000
Basic loss per share (HK\$ cents per share)	22.03	12.80

**(b) Diluted**

Diluted loss per share for the year ended 31 December 2018 and 2017 are equal to the basic loss per share as there are no potential dilutive ordinary shares outstanding during the year.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**14 Property, plant and equipment**

	Furniture and fixtures HK\$	Computer equipment HK\$	Office equipment HK\$	Leasehold improvements HK\$	Total HK\$
Year ended 31 December 2018					
Opening net book amount	400,301	565,130	744,843	1,620,051	3,330,325
Acquisition of a subsidiary (Note 29)	-	23,257	-	-	23,257
Additions	59,257	528,489	1,421,554	26,412	2,035,712
Disposals	-	(350,848)	(1,972,552)	-	(2,323,400)
Depreciation charge (Note 7)	(71,946)	(338,119)	(109,683)	(658,394)	(1,178,142)
Currency translation differences	(34,821)	(35,019)	(4,124)	(49,886)	(123,850)
Closing net book amount	352,791	392,890	80,038	938,183	1,763,902
As at 31 December 2018					
Cost	661,434	2,267,593	622,561	4,448,982	8,000,570
Accumulated depreciation and impairment	(308,643)	(1,874,703)	(542,523)	(3,510,799)	(6,236,668)
Net book amount	352,791	392,890	80,038	938,183	1,763,902
Year ended 31 December 2017					
Opening net book amount	440,144	727,326	873,294	2,485,345	4,526,109
Additions	11,002	318,305	4,836	-	334,143
Disposals	(5,197)	(8,394)	-	-	(13,591)
Depreciation charge (Note 7)	(74,338)	(503,286)	(171,885)	(989,071)	(1,738,580)
Currency translation differences	28,690	31,179	38,598	123,777	222,244
Closing net book amount	400,301	565,130	744,843	1,620,051	3,330,325
As at 31 December 2017					
Cost	647,650	2,320,313	1,256,864	4,571,666	8,796,493
Accumulated depreciation and impairment	(247,349)	(1,755,183)	(512,021)	(2,951,615)	(5,466,168)
Net book amount	400,301	565,130	744,843	1,620,051	3,330,325

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15 Intangible assets**

	Goodwill HK\$	Contractual customer relationship HK\$	Suppliers relationship HK\$	Brand name HK\$	Software HK\$	Total HK\$
Year ended 31 December 2018						
Opening net book amount	13,572,170	3,081,840	-	6,857,475	27,366,191	50,877,676
Acquisition of a subsidiary (Note 29)	45,473,872	-	17,586,370	20,089,601	-	83,149,843
Amortisation charge (Note 7)	-	(1,430,464)	(581,701)	(1,268,415)	(19,905,796)	(23,186,376)
Currency translation differences	(2,804,951)	(202,930)	(556,786)	(1,242,641)	(774,044)	(5,581,352)
Closing net book value	56,241,091	1,448,446	16,447,883	24,436,020	6,686,351	105,259,791
As at 31 December 2018						
Cost	56,241,091	6,685,130	17,015,051	28,187,109	117,830,467	225,958,848
Accumulated amortisation	-	(5,236,684)	(567,168)	(3,751,089)	(111,144,116)	(120,699,057)
Net book value	56,241,091	1,448,446	16,447,883	24,436,020	6,686,351	105,259,791
Year ended 31 December 2017						
Opening net book amount	12,491,094	4,197,809	-	7,202,251	71,490,792	95,381,946
Additions	-	-	-	-	664,091	664,091
Amortisation charge (Note 7)	-	(1,445,461)	-	(945,979)	(45,217,101)	(47,608,541)
Currency translation differences	1,081,076	329,492	-	601,203	428,409	2,440,180
Closing net book value	13,572,170	3,081,840	-	6,857,475	27,366,191	50,877,676
As at 31 December 2017						
Cost	13,572,170	7,396,412	-	9,681,141	119,195,601	149,845,324
Accumulated amortisation	-	(4,314,572)	-	(2,823,666)	(91,829,410)	(98,967,648)
Net book value	13,572,170	3,081,840	-	6,857,475	27,366,191	50,877,676

# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 Intangible assets (Continued)

Notes:

- (a) Goodwill is attributable to the eCommerce Solutions Services CGU in Australia (“Australia CGU”) and Jessica’s Suitcase arose from the Step Acquisition (Note 29). The recoverable amount of the Australia CGU is determined based on value in use calculation. The calculation uses pre-tax cash flow projections based on financial budget approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using the terminal growth rate stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value in use calculation in 2018 and 2017 for Australia CGU is as follows:

Compound annual growth rate (“CAGR”) of revenue for the five-year period	3.5%
Terminal growth rate	3%
EBITDA margin	Between 8% to 11%
Discount rate	20%

Management determined budgeted EBITDA margin based on past performance and its expectations for market development. The discount rate used is pre-tax and reflect specific risks relating to the Australia CGU.

For the Australia CGU, the recoverable amount calculated based on value in use exceeded carrying value. As such, there was no indication of impairment arising from the review on goodwill as at 31 December 2017 and 2018.

If the EBITDA margin was reduced by 10% and terminal growth rate was reduced by 2%, with all other variables held constant, the change of result would not result in impairment of the asset.

For the goodwill relating to Jessica Suitcase, the goodwill is determined provisionally as at 31 December 2018. The management considered that no provision for impairment loss was necessary as the management has not identified any impairment indicator as at 31 December 2018.

- (b) Impairment tests for CGUs

The carrying value of intangible assets other than goodwill is primarily comprised of the following CGUs:

	2018 HK\$	2017 HK\$
Greater China eCommerce Business Services (Note i)		
- Software	-	18,070,651
Australia CGU (Note ii)		
- Contractual customer relationship	1,448,446	3,081,840
- Brand name	5,323,006	6,857,475
- Software	6,686,352	9,295,540
	<u>13,457,804</u>	<u>37,305,506</u>

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 15 Intangible assets (Continued)

Notes: (Continued)

##### (b) Impairment tests for CGUs (Continued)

Notes:

##### (i) eCommerce Business Services CGU in Greater China (“Greater China CGU”)

For the year ended 31 December 2017, the Greater China CGU recorded EBITDA loss of approximately HK\$21,600,000 which was largely in line with management’s forecast underlying the prior period impairment assessment. In light of the operating results of the Greater China CGU and positive improvements observed since the implementation of the business transformation initiatives in the second half of the year, management has concluded there is no impairment indicator pertaining to the Greater China CGU.

##### (ii) Australia CGU

Since no impairment indicator is identified for the Australia CGU for intangible assets other than goodwill, no further impairment assessment was performed.

Amortisation expense of HK\$23,186,376 (2017: HK\$47,608,541) has been charged to administrative expenses.

#### 16 Subsidiaries

As at 31 December 2018, the Company has direct and indirect interests in the following subsidiaries:

<u>Name</u>	<u>Place of incorporation/ establishment and kind of legal entity</u>	<u>Principal activities and place of operation</u>	<u>Equity interest held by the Company directly</u>	<u>Equity interest held by the Company indirectly</u>	<u>Particulars of issued share capital/registered capital</u>
eCargo Enterprise Limited	Hong Kong, limited liability	Provision of eCommerce technologies services in Hong Kong	100%	-	HK\$10,000 ordinary share capital
eCargo Limited	United Kingdom, limited liability	Dormant in United Kingdom	100%	-	1 ordinary share of GBP1 each
ECG Digital Holdings Limited	British Virgin Islands (“BVI”), limited liability	Investment holdings in Hong Kong	100%	-	50,000 ordinary shares of US\$1 each
Jessica’s Suitcase Pty Limited	Australia, limited liability	Operate an online store	100%	-	2,116 ordinary shares of A\$51,513
ECG Distribution Holding Limited	British Virgin Islands (“BVI”), limited liability	Investment holdings in BVI	100%	-	50,000 ordinary shares of US\$1



# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 Subsidiaries (Continued)

As at 31 December 2018, the Company has direct and indirect interests in the following subsidiaries:  
(Continued)

<u>Name</u>	Place of incorporation/ establishment and kind of <u>legal entity</u>	<u>Principal activities and place of operation</u>	Equity interest held by the Company <u>directly</u>	Equity interest held by the Company <u>indirectly</u>	Particulars of issued share capital/registered <u>capital</u>
ECG Digital Commerce Limited	Hong Kong, limited liability	Provision of eMarketplace technology services in Hong Kong	-	100%	HK\$10,000 ordinary share capital
eCargo (China) Holdings Limited	BVI, limited liability	Investment holdings in BVI	-	100%	1 ordinary share of US\$1 each
Enrich Technologies Limited	BVI, limited liability	Provision of eCommerce solutions services in Hong Kong	-	100%	1 ordinary share of US\$1 each
ECG Australia Pty Limited	Australia, limited liability	Provision of corporate services	72.9%	27.1%	1,000 ordinary shares of A\$1 each
Amblique Pty Limited	Australia, limited liability	Provision of eCommerce solutions services in Australia	-	100%	134,410 ordinary shares of A\$1 each
JLE (China) Limited	Hong Kong, limited liability	Investment holdings in Hong Kong	-	100%	HK\$100 ordinary share capital
Jessica's Suitcase Co. Limited	Hong Kong, limited liability	Dormant	-	100%	HK\$10,000 ordinary share capital
深圳市嘉宏天成 貿易發展有限 公司	The PRC, limited liability	Provision of eCommerce business services in the PRC	-	100%	RMB13,000,000 registered share capital
杰叶商貿(上海) 有限公司	The PRC, limited liability	Provision of eCommerce support and marketing services in PRC	-	100%	US\$10,000,000 registered share capital

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****17 Interests in associates**

	2018 HK\$	2017 HK\$
At beginning of the year	72,504,113	70,459,815
Acquisition of interest in an associate (Note a)	69,083,038	-
Share of results from an associate	555,323	(2,331,406)
Step acquisition from an associate to a subsidiary (Note b)	(69,638,361)	-
Provision for impairment of interest in an associate (Note c)	(72,504,113)	-
Currency translation differences	-	4,375,704
At end of the year	-	72,504,113

**Notes:**

- (a) On 24 January 2018, ECG completed the acquisition of Jessica's Suitcase Pty Limited ("Jessica's Suitcase") with 45% equity interest in Jessica's Suitcase in consideration of issuance to the shareholders of Jessica's Suitcase of such number of CHES Depository Interest ("CDIs") equal to 15% of the CDIs in ECG, namely 80,250,000 CDIs or equivalent to a purchase consideration of HK\$98.4 million. Further details of the acquisition of interest in an associate is disclosed in Note 29 to the consolidated financial statements.
- (b) On 8 November 2018, ECG exercised a call option to acquire the remaining 55% equity of Jessica's Suitcase. Upon the completion of acquisition, Jessica's Suitcase became the wholly owned subsidiary of ECG. Details of the step acquisition is disclosed in Note 29 to the consolidated financial statements.
- (c) On 25 July 2016, ECG entered into a deed with Walton Brown E-commerce Limited ("Walton Brown") for an investment of RMB60 million (equivalent to approximately HK\$70.2 million) into MM E-commerce Limited ("MM"). On the same date, MM entered into a deed with Novel Colour Limited ("WHL") for an investment of RMB150 million (equivalent to approximately HK\$175.5 million) into WWE & company (BVI) Limited ("WWE"), an investment holding company that aims to launch a new social shopping mobile platform in China. ECG has an effective interest of 20% in WWE through its investment in MM.

During the year ended 31 December 2018, the WWE business model and future funding requirements to continue the development of its business were reviewed by the shareholders of MM. Management has considered the fact that MM has ceased its operation since November 2018. Accordingly, the management has performed an impairment assessment and determined that a provision for impairment of HK\$72.5 million is necessary to state the investment to its recoverable amount.

# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 Interest in an associate (Continued)

#### Summarised unaudited financial information for an associate

Set out below is the summarised unaudited financial information of the associate as at and for the year ended 31 December 2017 which are accounted for using the equity method.

	MM
	2017
	HK\$
Non-current assets	181,291,951
Current assets	502
Current liabilities	(32,171)
Loss after income tax	(5,828,515)
Currency translation differences	10,939,260

The information above reflects the amounts presented in the financial statements of the associate not ECG's share of those amounts.

#### Reconciliation of summarised financial information

Reconciliation of the summarised unaudited financial information presented to the carrying amount of ECG's in an associate.

	MM
	2017
	HK\$
<b>Net assets</b>	
Beginning of year	176,149,537
Loss for the year	(5,828,515)
Currency translation differences	10,939,260
End of year	181,260,282
Percentage of ownership interest	40%
Interest in an associate	72,504,113

ECG has no material associate as at 31 December 2018.

### 18 Financial instruments by category

#### Loans and receivables

	2018	2017
	HK\$	HK\$
<b>Assets as per consolidated statement of financial position</b>		
Trade and other receivables (excluding prepayments)	20,712,421	35,041,122
Contract assets	3,767,479	-
Amounts due from related parties	9,497,723	7,269,334
Cash and cash equivalents	17,614,983	12,702,478
	51,592,606	55,012,934

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**18 Financial instruments by category (Continued)**

**Other financial liabilities at amortised cost**

	2018 HK\$	2017 HK\$
<b>Liabilities as per consolidated statement of financial position</b>		
Trade and other payables (excluding non-financial liabilities)	21,289,860	24,161,811
Contract liabilities	2,386,262	-
Amounts due to related parties	21,371,406	17,577,385
Borrowing	58,420,349	44,412,560
	<u>103,467,877</u>	<u>86,151,756</u>

**19 Trade receivables**

	2018 HK\$	2017 HK\$
Trade receivables	18,637,762	33,891,344
Less: Provision for impairment	(221,800)	(255,824)
	<u>18,415,962</u>	<u>33,635,520</u>

The Directors consider the carrying amounts of trade receivables approximate their fair values.

Credit terms granted to customers are normally 30 days. The aging analysis of the trade receivables based on invoice date is as follows:

	2018 HK\$	2017 HK\$
1 – 30 days	10,727,427	22,942,457
31 – 60 days	3,139,667	4,865,158
61 – 90 days	807,313	3,329,853
Over 90 days	3,741,555	2,498,052
	<u>18,415,962</u>	<u>33,635,520</u>

As of 31 December 2018, trade receivables of HK\$221,800 (2017: HK\$255,824) were impaired and fully provided for. The individually impaired trade receivables relate to customers whose creditworthiness has materially deteriorated and it is assessed that these receivables are not expected to be recovered. ECG does not hold any collateral or other credit enhancements over these balances.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19 Trade receivables**

Movements on the provision for impairment of trade receivables are as follows:

	2018 HK\$	2017 HK\$
At 1 January	255,824	-
Provision for impairment of trade receivables (Note 7)	-	255,824
Receivables written off during the year as uncollectible	(34,024)	-
At 31 December	<u>221,800</u>	<u>255,824</u>

ECG applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The results of the revision at 1 January 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of ECG's trade receivables and contract assets.

Information about the impairment of trade receivables and ECG's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.

As at 31 December 2018, trade receivables of HK\$8,779,207 (2017: HK\$10,908,730) were past due but not impaired. These related to certain customers with no recent history of default, and as such, Management believes that no significant impairment provision is necessary. The past due aging analysis of these receivables is as follows:

	2018 HK\$	2017 HK\$
1 – 30 days	4,365,056	4,917,321
31 – 60 days	864,487	3,645,019
61 – 90 days	246,009	1,195,010
Over 90 days	3,303,655	1,151,380
	<u>8,779,207</u>	<u>10,908,730</u>

The carrying amounts of ECG's trade receivables are denominated in the following currencies:

	2018 HK\$	2017 HK\$
HK\$	1,394,480	11,377,827
RMB	4,859,021	3,105,236
A\$	9,064,041	15,331,287
US\$	194,014	245,113
Pound sterling ("GBP")	9,058	3,595
Singapore dollar ("SG\$")	311,837	-
EURO ("EUR")	169,020	590,804
NZ\$	2,414,491	2,981,658
	<u>18,415,962</u>	<u>33,635,520</u>

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**20 Prepayments, deposits and other receivables**

	2018 HK\$	2017 HK\$
Prepayments	7,853,180	796,481
Rental and utility deposits	2,240,004	1,353,353
Other receivables	56,455	52,249
	<hr/>	<hr/>
Prepayments, deposits and other receivables	10,149,639	2,202,083
	<hr/>	<hr/>
Less: non-current portion		
Prepayment and deposits	(7,346,835)	(856,251)
	<hr/>	<hr/>
Current portion	2,802,804	1,345,832
	<hr/>	<hr/>

Certain deposits have been pledged to secure rental deposits owned by the Company.

Other receivables were neither past due nor impaired and they were interest-free and repayable on demand as at 31 December 2018 and 2017. Management considers that the carrying amounts of deposits and other receivables approximate their fair values.

The carrying amounts of ECG's deposits and other receivables are denominated in the following currencies:

	2018 HK\$	2017 HK\$
HK\$	373,191	378,863
RMB	418,870	162,798
A\$	1,504,398	863,941
	<hr/>	<hr/>
	2,296,459	1,405,602
	<hr/>	<hr/>

**21 Cash and cash equivalents**

Cash and cash equivalents are denominated in the following currencies:

	2018 HK\$	2017 HK\$
Cash on hand		
HK\$	5,880	6,561
RMB	42,012	100,412
A\$	5,046	4,228
US\$	-	1,800
SG\$	1,143	1,159
	<hr/>	<hr/>
	54,081	114,160
	<hr/>	<hr/>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**21 Cash and cash equivalents (Continued)**

Cash and cash equivalents are denominated in the following currencies:

	2018 HK\$	2017 HK\$
Cash at banks		
HK\$	1,745,923	426,148
RMB	3,108,149	2,750,738
A\$	12,494,756	9,030,759
US\$	59,807	48,715
GBP	3,578	16,004
NZ\$	12,005	12,679
EUR	133,052	299,345
Canadian dollar ("CAD")	3,632	3,930
	<u>17,560,902</u>	<u>12,588,318</u>
	-----	-----
Total	<u>17,614,983</u>	<u>12,702,478</u>

As at 31 December 2018, the amount of cash at banks represented ECG's maximum exposure to credit risk.

**22 Trade payables, other payables and accruals**

	2018 HK\$	2017 HK\$
Trade payables	<u>11,088,473</u>	<u>14,417,972</u>
	-----	-----
Accrued expenses	9,512,258	3,634,415
Deferred revenue	-	2,324,144
Accrued employee benefit expenses	4,312,576	7,103,839
Other payables	<u>3,330,932</u>	<u>3,785,280</u>
	<u>17,155,766</u>	<u>16,847,678</u>
	-----	-----
	<u>28,244,239</u>	<u>31,265,650</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22 Trade payables, other payables and accruals (Continued)**

The carrying amounts of ECG's trade payables, other payables and accruals are denominated in the following currencies:

	2018 HK\$	2017 HK\$
HK\$	4,473,477	4,769,475
RMB	1,402,740	986,132
A\$	22,142,713	21,592,881
NZ\$	-	1,757,080
US\$	166,111	1,895,853
EUR	59,198	220,829
GBP	-	43,400
	<u>28,244,239</u>	<u>31,265,650</u>

**23 Deferred income tax**

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2018 HK\$	2017 HK\$
Deferred income tax assets:		
- to be recovered within 12 months	919,734	134,638
- to be recovered after more than 12 months	387,050	121,915
	<u>-----</u>	<u>-----</u>
Deferred income tax liabilities:		
- to be recovered within 12 months	(2,000,287)	(734,219)
- to be recovered after more than 12 months	(8,921,370)	(2,247,573)
	<u>-----</u>	<u>-----</u>
Deferred income tax liabilities – net	<u>(9,614,873)</u>	<u>(2,725,239)</u>

The movement on the deferred income tax account is as follows:

	2018 HK\$	2017 HK\$
At 1 January	(2,725,239)	(1,842,650)
Credited/(Charged) to the consolidated statement of comprehensive income (Note 12)	2,088,497	(717,432)
Acquisition of a subsidiary (Note 29)	(9,418,992)	-
Currency translation differences	440,861	(165,157)
At 31 December	<u>(9,614,873)</u>	<u>(2,725,239)</u>



**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****23 Deferred income tax (Continued)**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2018 HK\$	2017 HK\$
Deferred income tax assets		
At 1 January	256,553	2,778,187
Credited/(charged) to the consolidated statement of comprehensive income	1,150,021	(2,709,781)
Currency translation differences	(99,790)	188,147
At 31 December	<u>1,306,784</u>	<u>256,553</u>
Deferred income tax liabilities		
At 1 January	(2,981,792)	(4,620,837)
Acquisition of a subsidiary (Note 29)	(9,418,992)	-
Credited to the consolidated statement of comprehensive income	938,476	1,992,349
Currency translation differences	540,651	(353,304)
At 31 December	<u>(10,921,657)</u>	<u>(2,981,792)</u>

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. ECG did not recognise deferred income tax assets in respect of estimated tax losses amounting to HK\$140,901,395 (2017: HK\$117,878,613) arising in Hong Kong and HK\$11,302,669 (2017: HK\$13,296,953) arising in the PRC. The tax losses arising in Hong Kong can be carried forward indefinitely and the tax losses arising in the PRC will expire in five years.

**24 Share capital**

	Number of shares	Share capital HK\$
As at 1 January 2017, 31 December 2017 and 1 January 2018	535,000,000	329,401,285
Issue of shares as consideration for the acquisition of an associate	80,250,000	98,419,683
As at 31 December 2018	<u>615,250,000</u>	<u>427,820,968</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**25 Notes to the consolidated statement of cash flows**

(a) Cash generated from/(used in) operations for the year comprises:

	2018 HK\$	2017 HK\$
Loss before income tax	(134,838,128)	(68,761,372)
Adjustments for:		
- Depreciation of property, plant and equipment (Note 14)	1,178,142	1,738,580
- Amortisation of intangible assets (Note 15)	23,186,376	47,608,541
- Provision for impairment of interest in an associate (Note 17)	72,504,113	-
- Net foreign exchange loss/(gain) on operating activities (Note 10)	1,203,385	(1,143,879)
- Provision for impairment of trade receivables	-	255,824
- Written off of trade receivables	-	13,449
- Finance income (Note 11)	(46,358)	(41,235)
- Finance expense (Note 11)	2,214,562	1,869,716
- Share of results of associates (Note 17)	(555,323)	2,331,406
- Loss on disposal of property, plant and equipment (Note 7)	-	5,141
- Fair value gain on financial assets at fair value through profit or loss	(13,930,290)	-
- Loss on disposal of interest in an associate	38,992,851	-
	<u>(10,090,670)</u>	<u>(16,123,829)</u>
Changes in working capital:		
- Inventories	843,743	-
- Trade receivables	13,855,780	(8,869,613)
- Contract assets	(3,767,479)	-
- Prepayments, deposits and other receivables	(451,548)	577,173
- Trade payables	(2,670,310)	3,566,721
- Contract liabilities	2,386,262	-
- Other payables and accruals	39,567	(4,287,266)
- Balances with related parties	3,760,169	7,097,619
	<u>3,905,514</u>	<u>(18,039,195)</u>
Cash generate from/(used in) operations	<u>3,905,514</u>	<u>(18,039,195)</u>

(b) During the year ended 31 December 2018, equipment and computers in aggregate amount of HK\$2,323,400 (2017: Nil) were transferred to a related company through debiting amount due from related companies.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****25 Notes to the consolidated statement of cash flows (Continued)**

(c) Non-cash investing and financing activities

	2018 HK\$	2017 HK\$
Acquisition of interest in an associate by issue of shares	69,083,038	-
Acquisition of derivative financial instrument by issue of shares	29,336,645	-
	<hr/>	<hr/>
Issue of shares as consideration for the acquisition of an associate (Note 24)	98,419,683	-
	<hr/>	<hr/>

**26 Borrowing**

	2018 HK\$	2017 HK\$
Loan from a shareholder	58,420,349	44,412,560
	<hr/>	<hr/>

On 29 August 2016, ECG entered into an agreement with JL Enterprise Holdings Limited, ECG's major shareholder and a company wholly owned by Mr. John Lau, the Executive Chairman of ECG, as to provide a loan facility in an aggregate amount of up to HK\$50 million to support the ECG's working capital requirements. On 15 March 2017, an addendum agreement was signed to amend the maximum outstanding amount of the loan facility to HK\$70 million. On 14 February 2019, another addendum agreement was signed to amend the maximum outstanding amount of the loan facility to HK\$100 million (Note 32). As at 31 December 2018, the carrying amount of the borrowing from JL Enterprise Holdings Limited is HK\$56,111,770.

On 17 July 2018, Jessica's Suitcase entered into an agreement with JL Enterprise Holdings Limited as to provide a loan facility in an aggregate amount of up to A\$0.5 million to support Jessica's Suitcase working capital requirements. As at 8 November 2018, ECG entered into a deed of amendments to amend the terms in the original agreement to acquire Jessica's Suitcase. The fair value of borrowing from JL Enterprise Holdings Limited assumed at the acquisition date is A\$0.4 million (equivalent to HK\$2,386,095 (Note 30)). As at 31 December 2018, the carrying amount of the borrowing from JL Enterprise Holdings Limited A\$0.4 million (equivalent to HK\$2,308,579).

The loan facilities are unsecured and bear interest at prime rate quoted from the Hong Kong and Shanghai Banking Corporation Limited from time to time. The loan facilities can be utilised at ECG's demand and are repayable in accordance with a separate agreement to be made between ECG and JL Enterprises Holdings Limited.

The carrying amount of borrowing approximate to its fair value and is denominated in HK\$ and A\$.

Borrowing bears average coupon rate of 5%-5.125% per annum as at 31 December 2018 (2017: 5% per annum).

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****27 Operating lease commitments - as lessee**

As at 31 December 2018, ECG had future aggregate minimum lease payments in respect of office premises under non-cancellable operating leases as follows:

	2018 HK\$	2017 HK\$
No later than one year	400,690	3,291,023
Later than one year and no later than five years	3,716,302	1,287,888
	<u>4,116,992</u>	<u>4,578,911</u>

**28 Transactions with non-controlling interests**

On 8 November 2018, ECG exercised a call option to acquire the remaining 55% of the issued share capital of Jessica's Suitcase. By acquiring Jessica's Suitcase, ECG acquired the remaining effective interest of 14.85% in ECG Australia Pty Limited ("ECG AUS"). Immediately prior to the purchase, the carrying amount of the existing 14.85% non-controlling interest in ECG AUS was HK\$294,092. ECG recognised a decrease in non-controlling interests of HK\$294,092 and a decrease in equity attributable to owners of the ECG of HK\$294,092. The effect on the equity attributable to the owners of ECG AUS during the year is summarised as follows:

	2018 HK\$	2017 HK\$
Carrying amount of non-controlling interests acquired	294,092	-
Consideration paid to non-controlling interests	-	-
	<u>294,092</u>	<u>-</u>

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **29 Business combination**

##### **Step acquisition of Jessica's Suitcase from an associate to a subsidiary of ECG**

On 24 January 2018, ECG completed the acquisition of Jessica's Suitcase Pty Limited ("Jessica's Suitcase") with a 45% equity interest in Jessica's Suitcase in consideration of issuance to the shareholders of Jessica's Suitcase of such number of CHESS Depository Interests ("CDIs") equal to 15% of the CDIs in ECG, namely 80,250,000 CDIs or equivalent to a purchase consideration of HK\$98.4 million.

Jessica's Suitcase operates an eCommerce store on Alibaba's Tmall Global Platform and a number of brand specific eCommerce Stores on various platforms in the PRC by offering quality Australia and New Zealand products to Chinese consumers through the cross-boarder online channel.

ECG initially recorded the acquisition of interest in an associate, Jessica's Suitcase, of HK\$69.1 million (Note 17) (the "Initial Acquisition"). The following intangible assets and goodwill arising from the acquisition based on the provisional purchase price allocation:

- Goodwill in the amount of HK\$33.5 million attributable to the acquired buyer-specific synergies and pre-existing and well-position sales network expected from combining the operations of ECG and Jessica's Suitcase, thereby allowing ECG to establish its leading presence in e-Commerce business provided by ECG.
- Brand name and suppliers relationship in the amount of HK\$36.3 million arising from the pre-existing network set up by Jessica's Suitcase.

ECG also recognised the call option to purchase the remaining 55% equity of Jessica's Suitcase initially at fair value of approximately HK\$29.3 million as a derivative financial instrument on date of the acquisition.

The fair value of assets has been determined on a provisional basis as the fair value of identifiable assets acquired may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date. The fair value is being valued by Asset Appraisal Limited, an independent qualified professional valuer, not connected to ECG.

On 8 November 2018, ECG entered into a deed of amendments to amend the terms in the original agreement to acquire Jessica's Suitcase. Due to the modification of the terms, ECG derecognised the original call option and recognised call option under the revised terms at its fair value of HK\$43.2 million. The difference in fair value of HK\$13.9 million was recognised as gain in the consolidated statement of comprehensive income.

On the same date, ECG exercised a call option to acquire the remaining 55% of the issued share capital of Jessica's Suitcase. Upon the derecognition of interest in an associate, ECG has recognised the loss on disposal of HK\$39.0 million from the 45% equity interest in Jessica's Suitcase. The loss is included in the consolidated statement of comprehensive income for the year ended 31 December 2018.

The fair value of assets for the Initial Acquisition has been determined on a provisional basis as the fair value of all acquired identifiable assets is pending receipt of the final valuation for those assets. The fair value is being valued by Asset Appraisal Limited, an independent qualified professional valuer, not connected to ECG.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**29 Business combination (Continued)**

**Step acquisition of Jessica's Suitcase from an associate to a subsidiary of ECG (Continued)**

The following tables summarises the consideration for the step acquisition (the "Step Acquisition"), and the fair value of the assets acquired and liabilities assumed at the acquisition date:

	HK\$
<b>Purchase consideration</b>	
Fair value of call option	43,266,935
Fair value of interest in Jessica's Suitcase previously held by ECG	30,645,511
	<u>73,912,446</u>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	374,889
Property, plant and equipment	23,257
Trade and other receivable	1,298,196
Inventories	2,662,950
Intangible asset – brand name	20,089,601
Intangible asset – supplier relationship	17,586,370
Trade and other payable	(1,791,602)
Borrowing	(2,386,095)
Deferred tax liabilities	(9,418,992)
	<u>28,438,574</u>
Total identifiable net assets	45,473,872
Goodwill	<u>73,912,446</u>

Acquisition related costs approximately HK\$387,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2018.

	HK\$
<b>Inflow of cash to acquire business, net of cash</b>	
Cash consideration	-
Cash and cash equivalent of subsidiaries acquired	374,889
	<u>374,889</u>

None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of trade and other receivables is HK\$1,298,196 and includes trade receivables with a fair value of HK\$262,988. No trade receivables due is expected to be uncollectible.

The acquired business contributed HK\$2,562,346 to ECG's total revenue and HK\$171,601 loss to ECG's loss before income tax for the period between the date of acquisition and end of the reporting period.

Had the acquisition occurred on 1 January 2018, consolidated revenue and consolidated loss before income tax for the year ended 31 December 2018 would have been HK\$11,025,111 and HK\$1,141,645 respectively.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30 Related party transactions**

The Board of Directors are of the view that the following parties were considered related parties that had transactions or balances with ECG:

<b>Name of related party</b>	<b>Relationship with ECG</b>
Mr. John Lau	Executive Director/Executive Chairman
Mr. Christopher Lau	Non-Independent Non-executive Director
Ms. Jessica Rudd	Non-Independent Non-executive Director
Mr. Rupert Myer AO	Independent Non-executive Director
Mr. Dennis Lin	Independent Non-executive Director
Mr. Heath Zarin	Independent Non-executive Director
JL Enterprises Holdings Limited	Shareholder of the Company, controlled by Mr. John Lau
CS China Logistics Limited	Shareholder of the Company, controlled by Mr. John Lau
Allport Cargo Services Limited	Controlled by Mr. John Lau
Cargo Services Far East Limited	Controlled by Mr. John Lau
Cargo Tiancheng Technology Limited	Controlled by Mr. John Lau
CS Logistics Solutions Pty Limited	Controlled by Mr. John Lau
CN Logistics Limited	Controlled by Mr. John Lau
CN Logistics (Shanghai) Limited	Controlled by Mr. John Lau
Cargo Services (China) Limited	Controlled by Mr. John Lau
CS Packing (Hong Kong) Limited	Controlled by Mr. John Lau
EC-GO eCommerce Limited	Controlled by Mr. John Lau
深圳市一全通电子商务有限公司	Controlled by Mr. John Lau
深圳市看我商貿服務有限公司	Controlled by Mr. John Lau
深圳嘉宏互联有限公司	Controlled by Mr. John Lau
WWE Group Limited	Joint venture of an associate
MyMM (Shanghai) Commerce Limited	Subsidiary of joint venture of an associate

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Related party transactions (Continued)**

The following transactions were carried out with related parties:

	2018 HK\$	2017 HK\$
(a) Sales of services – note (i)		
Sales of software development services:		
- Cargo Services Far East Limited	2,400,000	2,400,000
Sales of courier services:		
- MyMM (Shanghai) Commerce Limited	379,908	620,764
Provision of marketing services:		
- WWE Group Limited	1,638,000	-
Provision of management services:		
- WWE Group Limited	-	2,800,000
- 深圳市一全通电子商务有限公司	62,345	-
- 深圳市看我商貿服務有限公司	20,471	-
	<u>4,500,724</u>	<u>5,820,764</u>
(b) Purchases of services – note (i)		
Purchase of outsourced labour services:		
- Cargo Services Far East Limited	600,000	600,000
- CS Packaging (Hong Kong) Limited	-	14,020
	<u>600,000</u>	<u>614,020</u>
Purchases of outsourced import, storage, and courier fulfillment services:		
- Allport Cargo Services Limited	103,207	92,440
- CS China Logistics Limited	5,522,189	8,456,067
- EC-GO eCommerce Limited	1,384,976	2,864,174
- Cargo Service (China) Limited	3,739,995	4,040,908
	<u>11,350,367</u>	<u>16,067,609</u>



**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Related party transactions (Continued)**

The following transactions were carried out with related parties: (Continued)

(c) Key Management compensation – note (ii)

Details of the Key Management compensation are disclosed in Note 9 to this consolidated financial statements.

	2018 HK\$	2017 HK\$
(d) Payment on behalf of ECG by related parties		
- Cargo Services Far East Limited	337,240	1,601,293
(e) Payment on behalf of related party by ECG		
- WWE Group Limited	-	1,939,688
- MyMM (Shanghai) Commerce Limited	-	22,475
	-	1,962,163
(f) Disposal of property, plant and equipment		
- 深圳市看我商貿服務有限公司	2,319,336	-
- 深圳嘉宏互联有限公司	4,064	-
	2,323,400	-
(g) Amount due to Key Management – note (iii)		
	As at 31 December 2018 HK\$	As at 31 December 2017 HK\$
Mr. Christopher Lau	-	266,000

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Related party transactions (Continued)**

The following transactions were carried out with related parties: (Continued)

(h) Balances with related parties – note (iv)

	As at 31 December 2018 HK\$	As at 31 December 2017 HK\$
- Allport Cargo Services Limited	50,574	64,952
- Cargo Services Far East Limited	7,014,300	6,255,130
- MyMM (Shanghai) Commerce Limited	149,826	110,568
- WWE Group Limited	-	838,684
- Cargo Tiancheng Technology Limited	29,074	-
- 深圳市看我商貿服務有限公司	2,191,604	-
- 深圳市一全通电子商务有限公司	62,345	-
	<u>9,497,723</u>	<u>7,269,334</u>
- Cargo Services (China) Limited	(15,431,146)	(12,605,132)
- Cargo Tiancheng Technology Limited	-	(445)
- CN Logistics Limited	(1,473,448)	(1,819,067)
- CS China Logistics	(689,866)	(708,731)
- CS Packaging (Hong Kong) Limited	-	(14,020)
- EC-GO eCommerce Limited	(3,776,946)	(2,429,990)
	<u>(21,371,406)</u>	<u>(17,577,385)</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30 Related party transactions (Continued)**

The following transactions were carried out with related parties: (Continued)

## (i) Borrowing from a shareholder

	Greater China HK\$	Jessica's Suitcase HK\$	Total
At 1 January 2017	19,969,189	-	19,969,189
Loan advanced during the year	22,573,655	-	22,573,655
Interest charged	1,869,716	-	1,869,716
At 31 December 2017	44,412,560	-	44,412,560
At 1 January 2018	44,412,560	-	44,412,560
Acquisition of a subsidiary (Note 29)	-	2,386,095	2,386,095
Loan advanced during the year	9,500,000	-	9,500,000
Interest charged	2,199,210	15,352	2,214,562
Currency translation differences	-	(92,868)	(92,868)
At 31 December 2018	56,111,770	2,308,579	58,420,349

Notes:

- (i) These transactions are carried out on terms agreed with the related parties.
- (ii) Key Management are deemed to be the Directors who have responsibility for planning, directing, and controlling the activities of the Company.
- (iii) The payable balances with Directors are unsecured, interest free and are repayable on demand. The fair values of these balances approximate their carrying values.
- (iv) Balances with related parties arise mainly from sale and purchase transactions and are due one month after the date of sale or purchase. The receivable balances and payable balances bear no interest and are denominated in HK\$.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 Statement of financial position and reserve movement of the Company**

	Note	2018 HK\$	2017 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		36,741	124,917
Intangible assets		-	18,070,651
Investment in subsidiaries		98,808,967	389,283
Prepayment		6,960,375	-
		<u>105,806,083</u>	<u>18,584,851</u>
<b>Current assets</b>			
Amounts due from subsidiaries		232,490,445	232,189,087
Cash and cash equivalents		200	1,007
		<u>232,490,645</u>	<u>232,190,094</u>
<b>Total assets</b>		<u>338,296,728</u>	<u>250,774,945</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		427,820,968	329,401,285
Accumulated losses	a	(146,733,996)	(123,544,995)
<b>Total equity</b>		<u>281,086,972</u>	<u>205,856,290</u>
<b>Liabilities</b>			
<b>Non-current liability</b>			
Loan from a shareholder		56,111,770	44,412,560
<b>Current liabilities</b>			
Amounts due to subsidiaries		195,660	195,660
Other payables and accruals		902,326	310,435
		<u>1,097,986</u>	<u>506,095</u>
<b>Total liabilities</b>		<u>57,209,756</u>	<u>44,918,655</u>
<b>Total equity and liabilities</b>		<u>338,296,728</u>	<u>250,774,945</u>

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 31 Statement of financial position and reserve movement of the Company (Continued)

Note:

(a) Reserve movement of the Company

	Accumulated losses HK\$
As at 1 January 2017	(80,712,894)
Loss for the year	(42,832,101)
As at 31 December 2017 and 1 January 2018	(123,544,995)
Loss for the year	(23,189,002)
As at 31 December 2018	(146,733,997)

#### 32 Subsequent event

- i. On 8 November 2018, ECG entered into a sale and purchase agreement with Metcash Trading Limited, a wholly-owned subsidiary of Metcash Limited, an Australia's leading wholesaling and marketing company listed on Australian Securities Exchange, to acquire 85% interest in Metcash Export Services Pty Limited ("Metcash Export") for consideration of A\$2.5 million plus 85% of the net asset value of Metcash Export, 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. Metcash Export is specialising in the China export business in Australia. The acquisition is expected to increase ECG's market share and reduce cost through economies of scale.

A\$1.25 million (equivalent to HK\$6,960,375) was paid on 8 November 2018 as part of the consideration. The management is of the view that the acquisition is going to be completed at the end of February 2019 and estimates the net asset value of Metcash Export will be about A\$5.5 million. ECG requires to pay A\$5.9 million on the date of completion.

The consideration of acquisition is estimated to be A\$7.2 million. The provisional fair value of net identifiable assets of the Metcash Export is approximately A\$4.7 million and the provisional goodwill arising from acquisition is approximately A\$2.5 million.

The management assesses that the provisional goodwill arising from the acquisition is mainly attributable to economies of scale expected from combining the operations of ECG and Metcash Export. None of the provisional goodwill to be recognised is expected to be deductible for income tax purposes.

As ECG is in process of evaluating the purchase price allocation of the acquisition up to the date of this report, amount of each major class of assets acquired and liabilities assumed is not presented.

- ii. On 14 February 2019, ECG renewed the standby loan facility agreement signed on 29 August 2016 with JL Enterprises Holdings Limited, ECG's major shareholder and a company wholly owned by Mr. John Lau, the Executive Chairman of ECG, as to extend the standby loan facility from HK\$70 million to HK\$100 million to support ECG's working capital requirements. The standby loan facility is unsecured and bears interest at prime rate quoted from The Hong Kong and Shanghai Banking Corporation Limited from time to time. The standby loan facility can be utilized at ECG's discretion and is repayable in accordance with a separate agreement to be made between ECG and JL Enterprises Holdings Limited.