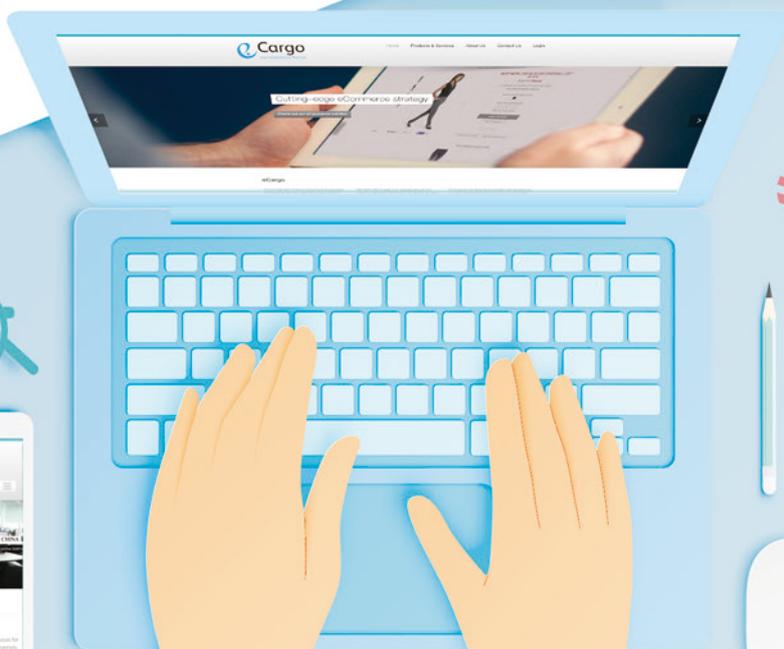


eCargo

your eCommerce Partner

NEW RETAIL Online to Offline



www.eCargo.com

Annual Report
2018



About ECG

eCargo Holdings Limited (ASX: ECG) ("ECG") is a fully-fledged Online to Offline trading and service provider that propels brands and retailers into the Chinese virtual and bricks and mortar shelves with a unique one-stop solution. It comprises a specialist execution group of companies, with operating companies in China and Australia trading under the brand names of eCargo, Metcash Asia, Jessica's Suitcase and Amblique, providing on-demand digital commerce strategy, China trading strategy, technology development and the related execution services for retailers and brands.

eCargo acts as a "one-stop" enabling partner for designer fashion, branded apparel and retail companies seeking to sell their products online in China by providing integrated online and offline technology and supply chain solutions.

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

Jessica's Suitcase, headquartered in Sydney, operates an online store on Alibaba's Tmall Global, offering quality Australia and New Zealand groceries and foodstuff products to Chinese consumers through the cross-border online channel.

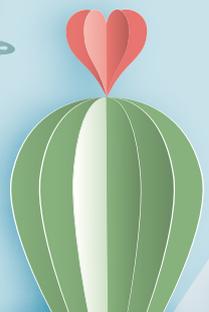
Amblique is a leading digital commerce consultancy, providing retail strategy, eCommerce platform implementation and optimisation services in Australia and New Zealand.



**eCargo**
your eCommerce Partner

"The acquisition of Jessica's Suitcase and Metcash's China business enabled ECG to be a fully integrated Online Retailer to Offline Distributor to fulfill the strong demand from Chinese consumers."

*Mr. John Lau,
Executive Chairman*





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 **Cargo**
your eCommerce Partner



Mitcash

amblique

Selected financial data translated into Australian dollars

The financial statements for eCargo Holdings Limited (the "Company") presented in this document are expressed in Hong Kong dollars ("HK\$"). Selected financial data has been translated from HK\$ into Australian dollars ("A\$") to enable Share/CHESS Depository Interest ("CDI") holders to interpret the financial performance of the Company. Such foreign currency translations are unaudited and have been provided to Share/CDI holders for easier reference purposes only and may not present the Company's financial position or performance in a fair manner.



Highlights 2018

- Positive Operating Cash Flow of HK\$4.6 million, increased by HK\$20.5 million from negative cash flow of HK\$15.9 million in 2017
- Adjusted EBITDA* loss reduced 38% to HK\$10.0 million
- Successful Acquisition of Metcash's China Business subsequent to year-end enabled ECG to be a fully integrated Online Retailer to Offline Distributor
- ECG became the only ASX listed Chinese eCommerce and wholesale business

Adjusted EBITDA
loss improvement

38%



Positive
Operating
Cash Flow

HK
\$4.6
Million



* Adjusted EBITDA is defined as earnings before non-cash items such as interest, tax, depreciation, amortisation, share of results of an associate, impairment provision for interest in an associate, gain or loss on fair value of acquisitions and financial derivatives, and impact of foreign exchange.





Bringing foreign brands and products into China

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the Annual Report of eCargo Holdings Limited (the "Company") and its subsidiaries, collectively "ECG" for the year ended December 31, 2018.

2018 has been a year of strategy formulation for ECG following 2017's business transformation plan which emphasised consolidating ongoing business offerings and cost reduction initiatives. I am pleased to report that today's result is the reflection of ongoing implementation of our transformation, achieving 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. ECG has continued to increase operating efficiency and reduce costs. Barring the non-cash losses and the non-recurring costs, ECG has achieved a positive adjusted EBITDA* for 2018, the first time since its IPO in 2014.

The 2018 financial results demonstrates that ECG is moving to the right direction. The completion of the acquisition of Metcash's China Business subsequent to the

financial year, together with Jessica's Suitcase, which is already 100% owned by ECG, has completely transformed ECG business into a fully-fledged Online to Offline platform that propels brands and retailers into the China market with a unique one-stop solution.

" ECG completely transformed into a fully-fledged Online to Offline platform "

Financial performance

ECG reported that the net loss increased to HK\$134.7 million (2017: HK\$68.5 million) primarily reflecting 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. Aside 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 costs which decreased from HK\$81.6 million of 2017 to this year's HK\$62.3 million.

Consolidated revenue of the year was HK\$134.5 million (2017: HK\$144.5 million) with HK\$32.5 million (2017: HK\$49.8 million) coming from the eCommerce-enabling business, HK\$97.1 million (2017: HK\$92.3 million)


 The logo for Jessica's Suitcase, featuring the brand name in a cursive font with a suitcase icon integrated into the lettering.

Acquisition of Jessica's Suitcase

contributed by Amblique while HK\$2.5 million (2017: nil) from 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.

The eOperations and eFulfilment units continued to be the core revenue drivers of the eCommerce-enabling business despite the segment's total revenue decreasing by 33% compared to last 2017. The decline in revenue was expected given it was primarily revenue from non-core businesses that were discontinued during the year.

Amblique's revenue, primarily comprising the sharing of clients' sales generated from the online storefront built under the reseller agreement and revenue earned from providing enhancements and value added services to the existing clients, remained stable compared to 2017.

Gross profit for the year decreased by 11% to HK\$71.5 million and gross profit margin for the year was approximately 53%, inclined by 3% from 2017.



Acquisition of Metcash's China Business



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.

The Company did not propose any dividend distribution or buy back during the year.

Evolving our strategy

ECG aims to increase Shareholders' value through sustainable business

growth, with our vision to be a "one-stop" enabling partner for brands and retailers seeking to sell their products in China by providing integrated online and offline technology and supply chain solutions.

Looking forward

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

- eCommerce operations and content generation services;
- Online incubation platform for small and emerging brands;
- B2C multi-platform, multi-brand eCommerce hub for established brands;
- B2B wholesale distributor in 1st-4th tier cities with tailored market activation strategy; and



- Leading Alibaba Tmall Stores of Jessica’s Suitcase and Metcash as well as Key Opinion Leader endorsement on key products.

ECG will continue to develop its best-in-class technologies and invest in people to support this strategy. I am confident of our ability on helping foreign retailers and brands in the China market as well as within the region, and bringing diversified choices of high quality products to the consumers in China.

On behalf of ECG, I would like to thank the Board of Directors, the management and every member of our committed staff for their

dedication and hard work on turning around the business, and our Shareholders and Stakeholders for their continued confidence and support. I look forward to seeing you at our upcoming Annual General Meeting.

Mr. John Lau
Executive Chairman

Board of Directors and Executive Team



The Board of Directors (the “Board”) currently consists of six Directors, comprising one Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors.

The Board has broad experience in the retail supply chain, eCommerce, logistics, finance and retail management. The Board is well-positioned to develop and implement ECG’s strategic objectives.

In accordance with ASX Listing Rules 14.4, a Director of an entity must not hold office (without re-election) past the third Annual General Meeting following the Director’s appointment or 3 years, and a Director of an entity is appointed as an addition to the Board during the year, must not hold office (without re-election) past the next Annual General Meeting following the Director’s appointment.

Mr. John Lau and Mr. Heath Zarin shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Name	Position	Independence	Re-appointment date
Mr. John Lau	Executive Chairman, Executive Director	Non-independent	May 15, 2017
Mr. Christopher Lau	Non-Executive Director	Non-independent	June 20, 2018
Ms. Jessica Rudd	Non-Executive Director	Non-independent	June 20, 2018
Mr. Rupert Myer AO	Non-Executive Director	Independent	June 20, 2018
Mr. Heath Zarin	Non-Executive Director	Independent	May 15, 2017
Mr. Dennis Lin	Non-Executive Director	Independent	June 20, 2018



Mr. John Lau
Executive Chairman and
Executive Director

Mr. John Lau is the Executive Chairman, founder and Executive Director of ECG. He is Chairman and founder of ECG's largest shareholder, JL Enterprises Holdings Limited ("JL Enterprises"). He is Group Managing Director and founder of ECG's strategic investor, CS Logistics Holdings Limited ("CS Logistic"). He is the Managing Director and founder of Cargo Services Far East Limited ("Cargo Services"), a principal operating subsidiary of the CS Logistics group of companies and Managing Director and founder of Xin Hai Hua Enterprises.

Mr. John Lau brings more than 40 years of experience in trading, shipping and logistics in China. Over the years, he cooperated successfully with major financial sponsors in Asia such as Prudential Asia and HSBC Principal Investments. His pursuit for excellence in providing professional services is well known and acknowledged by many major retailers and brands worldwide.

Mr. John Lau founded Cargo Services in 1990 as an ocean freight non-vessel operating cargo carrier. He has led the growth of Cargo Services in becoming a leader in international logistics. Today, Cargo Services is the largest privately owned integrated logistics service provider and freight forwarder in China and Hong Kong.

Mr. John Lau founded Midstream Holdings Limited ("MHL") in 1995. He was Managing Director of MHL from 1995 to 1997. MHL was acquired by Hutchison Port Holdings in 1997.

Mr. John Lau founded Wide Shine Terminals Limited ("WST") in 1990. He was Managing Director and founder of WST from 1990 to 1995. WST was subsequently acquired by MHL in 1995.

Mr. John Lau founded Hoi Kong Terminals Limited ("Hoi Kong") in 1986. He was the Managing Director from 1986 to 1990. Hoi Kong was acquired by Jardines Shipping Services Limited in 1990.

Mr. John Lau holds Bachelor of Social Sciences from the University of Hong Kong, and joined Dodwell & Co. in their Hong Kong buying office working with many international retailers and trading companies sourcing from China. He quickly rose to become a director at Dodwell & Co. He left Dodwell & Co. in 1983 to start his own businesses in shipping and international logistics.

Mr. John Lau was appointed as a committee member of the Chinese People's Political Consultative Conference Nanjing Committees in the tenth and eleventh elections.

Mr. John Lau served as Independent Non-executive Director of Golden Eagle Retail Group Limited (SEHK: 3308) from 1999 to 2011 and Nanjing Sample Technology Company Limited (SEHK: 1708) from 2003 to 2011.



Mr. Christopher Lau
Non-Executive Director

Mr. Christopher Lau is a founder of ECG. He was the CEO and Executive Director of ECG from ECG's inception until March 14, 2018. On March 14, 2018, Mr. Christopher Lau was re-designated to Non-Executive Director of ECG.

In April 2018, Mr. Christopher Lau rejoined the Cargo Services Group as Group Assistant Managing Director and is currently Head of the Greater China region. He possesses more than 7 years of experience in international retail supply chain and logistics management having worked closely with many major retailers in Australia and the United Kingdom in the development of their global supply chains including the setup of eCommerce operations in China, sourcing offices and QC facilities.

Mr. Christopher Lau was the Group Assistant Managing Director and an Executive Director at Cargo Services from 2006 to 2012. He rejoined the Group in 2018 and he is currently the Group Assistant Managing Director. At Cargo Services, he founded the GAM business in 2007.

Mr. Christopher Lau was instrumental in the transformation of Cargo Services to become the leading integrated retail supply chain solutions service provider in Hong Kong, contributed significantly in the development and implementation of the LIMA® platforms for many retail brands and was involved in the acquisition of Allport Limited together with HSBC's strategic investment in CS Logistics in 2010. He was an Executive Director of CS Logistics from 2010 to 2012.

Mr. Christopher Lau holds a Bachelor of Science in Accounting and Finance from the Leonard Stern School of Business at New York University. He spent several years with Ernst and Young LLP and Deutsche Bank in New York working in audit, structured products and fixed income. He was appointed as a member of the 14th Nanjing Political Consultative Conference in 2018, an Honorary Member of the Court at the Hong Kong Baptist University since 2012 and is a Vice-Chairman of the fundraising committee of the Dragon Foundation, a non-profit organisation in Hong Kong.



Ms. Jessica Rudd
Non-Executive Director

Ms. Jessica Rudd is director and founder of Jessica's Suitcase, an Australian company headquartered in Sydney, which operates an eCommerce store on Alibaba's Tmall Global Platform, offering quality Australia and New Zealand products to Chinese consumers through the cross-border online channel.

Ms. Jessica Rudd is an Australian-born-and-based Key Opinion Leader (KOL), uniquely placed as an influencer in the eCommerce and digital marketing sectors, with strong reach in both Australian and Chinese markets.

Ms. Jessica Rudd was appointed as the first and only Australia and New Zealand Lifestyle Ambassador for Alibaba in 2016 and continues to serve in that role. In 2017, Ms. Rudd was appointed Non-Executive Director of the ASX listed Australian Agricultural Company (ASX: AAC).

Having begun her career as a media and intellectual property lawyer, she later moved to London where she worked as a crisis management consultant for global communications firm, Hill & Knowlton. In 2009, Ms. Jessica Rudd moved to Beijing with her husband. In their 5 years living in Beijing, she wrote two novels – Campaign Ruby and its sequel Ruby Blues—and worked as a columnist and media commentator.



Mr. Rupert Myer AO
Independent Non-Executive
Director

Mr. Rupert Myer AO is Director of Healthscope Limited and Amcil Limited. He serves as Chairman of Nuco Pty Ltd and as a director of The Myer Family Investments Pty Ltd and Mutual Trust Pty Ltd.

Since 1986, Mr. Rupert Myer has served as a Non-Executive Board member on a diverse range of organizations including listed and unlisted public companies, private companies, community sector organisations, State and Commonwealth Government Boards and philanthropic foundations. Industries and sectors have included retailing, funds management, financial services, visual and performing arts, indigenous affairs, philanthropy and youth employment.

Mr. Rupert Myer's experience as a Director has included IPO listings, rights issues, special purchase plans, dividend re-investment plans and major re-financings. He has served both as Chair and as a member of Audit and Finance Committees, Remuneration and Nominations Committees and Strategy Committees.

Mr. Rupert Myer holds a Master of Arts from Cambridge University and a Bachelor of Commerce with Honours from the Melbourne University. He is a fellow of the Australian Institute of Company Directors.



Mr. Heath Zarin
Independent Non-Executive
Director

Mr. Heath Zarin is CEO and Managing Director of EmergeVest, a Hong Kong based private equity firm with more than USD450 million of assets under management.

Mr. Heath Zarin was previously Managing Director and Head of Principal Investments, Asia-Pacific, for HSBC, with responsibility for Asian proprietary private investment activities. Previously, he founded and ran Emergent Investment Group ("EIG"), a Hong Kong-based private investment firm. Prior to founding EIG, Mr. Heath Zarin held a series of senior executive roles at Credit Suisse, including forming and managing its Asian private equity business.

Mr. Heath Zarin practiced corporate law with Schulte Roth & Zabel LLP in New York, where he formed and advised hedge funds and private equity funds. Mr. Heath Zarin's current and previous board service includes companies across Asia, Europe and North America, in diverse manufacturing and service industries. He currently serves as Chairman of EV Cargo, Allport Cargo Services, CM Downton, Jigsaw Transport, Palletforce, NFT Distribution and Adjuno, as well as non-executive director of CS Logistics.

Mr. Heath Zarin holds a Juris Doctor from the Fordham University School of Law and graduated from the State University of New York at Binghamton. He is CFA, CMT and CAIA charterholder and has completed Certificate programs at Harvard Business School.





Mr. Dennis Lin
Independent Non-Executive
Director

Mr. Dennis Lin is a Strategic Adviser for M&A and China in the corporate division of BDO in Australia. He advises on commercial aspects of transactions and acts as the lead advisor to foreign entrepreneurial investors on merger and acquisition and capital market activities, with particular interests in food and agribusiness, and technology sectors. Mr. Lin is also the Chairman of ASX listed consumer goods company Bubs Australia Limited (ASX: BUB), as well as a Director of Buderim Group Limited (ASX: BUG).

Mr. Dennis Lin was previously a Partner of BDO in Australia and a specialist tax practitioner for over 10 years with Mallesons, PricewaterhouseCoopers and Deloitte. He speaks fluent Chinese Mandarin, and is a Chartered Accountant and Solicitor of the Supreme Court of Queensland and remains a current practitioner of both professions.

Executive Team



Mr. Will Zhao
Chief Executive Officer

Mr. Will Zhao joined ECG in February 2019. Based in Shanghai, Mr. Zhao leads a team of staff driving strategic and commercial decisions for ECG's businesses in China and Australia.

Prior to joining ECG, Mr. Will Zhao spent 4 years with Metcash China. During this time, Mr. Zhao established Metcash's offline distribution network and expanded Metcash's online offering across various platforms. Mr. Zhao also spent 7 years with the Goodman Group in Australia, New Zealand, Hong Kong and China specialising in Risk Management. Mr. Zhao also held roles with Deloitte, UBS and Moores Rowland in risk and strategic consulting, wealth management, tax and accounting. Mr. Zhao holds a Bachelor of Commerce from Macquarie University and is a certified internal audit and risk management professional.

Mr. Will Zhao has been a regularly speaker on China market entry for brands, opportunities and pitfalls of E-Commerce and Trade in China. This includes speaking to Australian C-suite delegations through Australian Chamber of Commerce in China, Australian Trade Commission and International E-Commerce Conventions.





Mr. Garnok Cheung
Chief Financial Officer

Mr. Garnok Cheung is an experienced finance professional bringing a depth of knowledge and management experience to ECG. For over two decades he has been involved in public accounting, auditing, corporate accounting, compliance and has extensive business exposure across industry sectors in real estates, hotel hospitality, ports, property development, FMCG (fast-moving consumer goods), fashion retailing, eCommerce, digital marketing and logistics.

Prior to joining ECG, Garnok was the Chief Financial Officer at ITC Corporation Limited (renamed as PT International Development Corporation Limited), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 372) that invested in a diversified portfolio group of listed and unlisted ventures. Garnok started his career at the Hong Kong office of Deloitte Touche Tohmatsu and continued in the public accounting field at the offices PricewaterhouseCoopers in Hong Kong and New York, and at KPMG in Hong Kong, accumulating over 7 years of experience in public accounting and auditing.

Garnok received his Bachelor degree in Finance from the University of Hong Kong in 1998. He is a Certified Public Accountant recognised by the Washington State, U.S.A, and is a general member of the American Institute of Certified Public Accountants. He is also a Chartered Global Management Accountant.



Ms. Hai Yun Chen
Chief Product Officer

Hai Yun Chen is the Chief Product Officer of ECG based in Sydney. Hai Yun oversees brands, products and supply chain strategies from Australia, New Zealand and other leading export countries, as well as develop new direct export sales channels for eCargo's business in China and South East Asia.

Prior to joining ECG, Hai Yun spent 3 years with Metcash Asia based in the Metcash head office in Sydney. During this time Hai Yun was instrumental to the overall success of Metcash Asia in China, by partnering with brands, securing supply chain, develop and manage various export channels from Australia to China. Prior to Metcash, Hai Yun has spent 8 years in establishing and running private label food sourcing for Woolworths based out of Woolworths' Global Sourcing office in Shanghai. Hai Yun also has buying experiences previously with Australian retailers BigW and ADRT. She holds a Master of Finance degree and Bachelor of Commerce degree major in International Business and Marketing from University of New South Wales.



Corporate Governance Report

The Board is pleased to present this corporate governance report for the year ended December 31, 2018.

Corporate Governance Practices

The Company is committed to conduct its business consistent with the highest standards of corporate governance practices and procedure. The Company recognises that sound corporate governance practices are fundamental to the effective and transparent operation of the Company and it is vital to its ability to protect the rights of its Shareholders and enhance Shareholders' value.

The Company adopted the following policies and charters. Each of these policies and charters are set out in the Corporate Governance Plan adopted by the Board on September 18, 2014. The Corporate Governance Plan is incorporated by reference into this annual report and is prepared to fully address the principles and provision set out in the ASX Corporate Governance Principles and Recommendations.

A copy of each of the below policies and charters are available on the Company's website at www.eCargo.com.

The Board Charter

This charter sets out the principles for the operation of the Board and the functions and responsibilities of the Board and management of the Company. The Board Charter contains the Board skills matrix.

Code of Conduct

This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.





Securities Trading Policy

This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws in Australia.

Audit and Risk Management Committee Charter

This charter sets out the principles for the operation of the Audit and Risk Management Committee.

Nomination and Remuneration Committee Charter

This charter sets out the principles for the operation of the Nomination and Remuneration Committee.

Continuous Disclosure Policy and Communications Strategy

Rules and the Company Ordinance to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the CDIs. This policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations. This policy also sets out practices which the Company will implement to ensure effective communication with its Shareholders.



Diversity Policy

This policy sets out practices which the Company is committed to workplace diversity. Due to the relative small size of the Company, the Board had not set any objectives on gender diversity during the financial year ended December 31, 2018. The Board recognized the benefit arise from achieving various forms of diversity and will continues to evaluate the setting of objectives on workplace diversity.

The table below shows the proportion of male and female representation across ECG, the senior management and at the Board level.

Job level	Male	Female
Board of Directors	83%	17%
Management	71%	29%
All employees	33%	67%

* Management represent General Manager grade or above

Board of Directors

The Board is responsible for the overall corporate governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisors as required.

The Board's role in risk oversight includes reviewing reports from management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities.

The reports detail the effectiveness of the risk management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal/regulatory risks.

The Board and its committees consider these reports, discuss matters with the management and identify and evaluate any potential strategic or operational risks, and appropriate activity to address those risks. The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, 3rd Edition (ASX Corporate Governance Principles and Recommendations).

Composition of the Board, number of the Board meetings and Directors Attendance

The Company's Memorandum and Articles of Association and the Hong Kong Companies Ordinance provides that the minimum number of Directors is two and that this minimum may only be changed by a majority vote of the Shareholders. The Company currently has six Directors serving on the Board, including one Executive Director ("ED"), two Non-Executive Directors ("NED") and three Independent Non-Executive Directors ("INED"). The biographies detail of each Director are included in the "Board of Directors and Executive Team" section of this Annual Report.

There were more than four meetings of the Board and the Committee held during the year ended December 31, 2018. The following is the attendance record of the Directors at the Board and Committee meetings, and at the Shareholder meeting held during the year.



**Brand
Building**

Omni-Channel Solutions



Name	Position	Board of Directors	Audit and Risk Management Committee	Nomination and Remuneration Committee	Annual General Meeting
Mr. John Lau	ED	7/8	N/A	N/A	1/1
Mr. Christopher Lau	NED	7/8	N/A	N/A	1/1
Ms. Jessica Rudd	NED ¹	7/8	N/A	N/A	1/1
Mr. Rupert Myer AO	INED	8/8	3/3	2/2	1/1
Mr. Heath Zarin	INED	7/8	3/3	2/2	0/1
Mr. Dennis Lin	INED ²	5/8	1/3	1/2	1/1
Mr. Christopher Ryan	INED ³	3/8	2/3	1/2	0/1

¹ Appointed on 24 January 2018

² Appointed on 9 April 2018

³ Resigned on 9 April 2018

Practices and Conduct of Meetings

Notice of the Board and Committee meetings is given to all the Directors at least 7 days in advance. Annual meeting schedules and the draft agenda of each meeting are normally made available to the Directors in advance. Arrangements are in place to allow the Directors to include items in the agenda, and final agenda together with the Board papers are sent to the Directors within reasonable time. Each Director also has separate and independent access to the senior management where necessary.

Minutes of the Board meetings are kept by the Company Secretary. Draft minutes are circulated to the Directors for comment within a reasonable time after each meeting.

Each Director must bring an independent view and judgment to the Board and must declare all conflicts of interest including confirmation of Director's interests in securities and declaration of any trading activities. Any issue concerning a Director must be brought to the attention of the Board as soon as practicable, and unless a resolution has been passed by the non-interested Directors allowing the interested Director to remain in the meeting and participate in discussions, Directors may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

Appointment and Re-election of Directors

The Company uses a formal and transparent procedure for the appointment, election and removal of Directors, which is set out in the Company's Articles of Associations and is conducted by the Nomination and Remuneration Committee, which will make recommendations on new Director appointment to the Board for approval.

Each of the Director is engaged on services contract and subject to re-election. Further details of the appointment, election and removal of Director are set out in the "Board of Directors and Executive Team" section of this Annual Report.

Induction and Ongoing Development

Each of the newly appointed Director receives a formal, comprehensive and tailored induction to ensure his or her understanding of the business and operations of the Company and awareness of the Director's responsibilities and obligations.

The Company encourages all Directors participate in continuous professional development in order to develop and refresh their knowledge and skills. During the year, the Directors had updated on the development of statutory and regulatory regime and the business environment provided by the Company and external parties.

Board Committees

The Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities as set out below. The Board may also establish other committees from time to time.

Each of these committees has the responsibilities described in the committee charters (which have been prepared having regard to the ASX Corporate Governance Principles) adopted by the Company.

Committee	Overview	Member
Audit and Risk Management Committee	<p>Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements, reviewing the performance of the Company's internal audit function and the qualifications, independence, performance and terms of engagement of the Company's external auditor. Manages the process of identification and management of risk.</p>	<p>Mr. Rupert Myer AO (Chairman) Mr. Heath Zarin Mr. Dennis Lin (appointed on 9 April 2018) Mr. Christopher Ryan (resigned on 9 April 2018)</p>
Nomination and Remuneration Committee	<p>Remuneration: Establishes, amends, reviews and approves the compensation and benefit plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management.</p> <p>The Nomination and Remuneration Committee is responsible for forming a view and making a recommendation to the Board on the most appropriate compensation for key employees. For instance, the Nomination and Remuneration Committee may determine that non-monetary compensation, such as employee options or employee shares, is an appropriate compensation as a way of:</p> <ul style="list-style-type: none"> • recognising ongoing contributions by key employees to the achievement by the Company of long term strategic goals; • aligning the interests of participants with other holders of shares in the Company through the sharing of a personal interest in the future growth and development of the Company; and • providing a means of attracting and retaining skilled and experienced employees. <p>The Nomination and Remuneration Committee is also responsible for reviewing the performance of the Company's executive officers with respect to these elements of compensation.</p> <p>Nomination: The Nomination and Remuneration Committee recommends the candidates nominated as a Director at each Annual General Meeting and ensures that the Audit and Risk Management, and Nomination and Remuneration Committees of the Board have the benefit of qualified and experienced independent Directors.</p>	<p>Mr. Heath Zarin (Chairman) Mr. Rupert Myer AO Mr. Dennis Lin (appointed on 9 April 2018) Mr. Christopher Ryan (resigned on 9 April 2018)</p>



**One-Stop
020
Solutions**



ASX Corporate Governance principles

The Board has evaluated the current corporate governance policies and practices in light of the ASX Corporate Governance Principles.

The Board considers that the Company generally complies with the ASX Corporate Governance Principles and, where the Company does not comply, this is primarily due to the current relative size of the Company and scale of its current operations. Comments on compliance and departures are set out below.

Principles/recommendations	Does the Company comply?	Particulars of compliance & if not why not
Principle 1 – Lay solid foundations for management and oversight		
<p>Recommendation 1.1: Companies should disclose:</p> <ul style="list-style-type: none"> the respective roles and responsibilities of its Board and management; and those matters expressly reserved to the Board and those delegated to management. 	Complied	<p>The Board's responsibilities are contained in the Company's Board Charter. The Company's Board Charter is contained in the Corporate Governance Plan.</p> <p>The functions of the Board and Chairman are specifically set out in the Board Charter. The functions delegated to senior executives are contained in the Delegation of Authority Agreement, contained in the Corporate Governance Plan.</p>
<p>Recommendation 1.2: Companies should:</p> <ul style="list-style-type: none"> undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. 	Complied	<p>The Board's responsibilities in relation to Director appointments are contained in the Company's Board Charter. The Company's Board Charter is contained in the Corporate Governance Plan. Appropriate checks, including bankruptcy checks and police checks are part of the listing process.</p> <p>The requirement for the appropriate checks prior to appointment a Director or putting forward a candidate for election as a Director as well as the provision of all material information in the Board's possession to Shareholders relevant to a decision on whether or not to elect or re-elect a Director is clearly mentioned in the Board Charter.</p> <p>All material information in relation whether to elect or re-elect a Director is contained in the Company's notice of meeting and explanatory statement.</p>
<p>Recommendation 1.3: Companies should have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	Complied	The Company has entered into such agreements with each Director and senior executive.
<p>Recommendation 1.4: The Company Secretary must be directly accountable to the Board, through the chair on all matters to do with the proper functioning of the Board.</p>	Complied	The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The accountability and details of the role of the Company Secretary are contained in the Company's Board Charter.

<p>Recommendation 1.5: Companies should:</p> <ul style="list-style-type: none"> • have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; • disclose that policy or a summary of it; and • disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them. 	Complied	<p>The Board has established a Diversity Policy. The Diversity Policy is contained in the Corporate Governance Plan.</p> <p>The Board considered the importance of talent and concluded when recruiting workforce, everyone should be provided with equal opportunity; and there should be no difference in gender, age, ethnicity, race, disability and cultural background. With the Company's scale of operation is small, the Board had not set any objectives of gender diversity during the financial year ended December 31, 2018. However, the Board recognized the benefit arise from achieving various forms of diversity and will continue to evaluate the setting of objectives on workplace diversity.</p>
<p>Recommendation 1.6: Companies should:</p> <ul style="list-style-type: none"> • have and disclose a process for periodically evaluating the performance of the board, its committees and individual Directors; and • disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Complied	<p>The Board has established these processes. A summary of the processes are set out below.</p> <p>The Board and each Board Committee is responsible for the evaluating the performance of the Board and Board Committee on an annual basis by referring to the requirements of the Board Charter.</p> <p>The Chairman is responsible for the review of individual Directors. Each Director is met privately with the Chairman to discuss the assessment. In addition to the annual review, the Chairman regularly provides informal feedback to individual Directors.</p>
<p>Recommendation 1.7: Companies should:</p> <ul style="list-style-type: none"> • have and disclose a process for periodically evaluating the performance of its senior executives; and • disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Complied	<p>The Board has established these processes. A summary of the processes are set out below.</p> <p>The Chairman is responsible for the review of the senior management assessment processes from time to time to ensure that they remain consistent with the Company's overall objectives for the business.</p> <p>All senior executives undergo a performance and development review on an annual basis, each senior executive meets privately with the Chairman to discuss the assessment and is provided with feedback on their performance, when appropriate, a development plan is also agreed to support the ongoing contribution of the executive to the needs of business.</p>

**Develop
Marketing
Strategy**

Principle 2 – Structure the Board to add value		
<p>Recommendation 2.1:</p> <p>The Board should establish a nomination committee which</p> <ul style="list-style-type: none"> • consists of a majority of independent Directors; • is chaired by an independent chair; and • has at least three members. <p>The board must disclose the charter of the committee, the members of the committee, the number of times the committee has met throughout a reporting period and the individual attendances of the members at those meetings.</p>	Complied	<p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter. The Company's Nomination and Remuneration Committee Charter is contained in the Corporate Governance Plan.</p> <p>The Nomination and Remuneration Committee is chaired by Mr. Heath Zarin, an independent Director, and consists three non-executive Directors. Of these members, all are independent Non-Executive Directors, namely, Mr. Heath Zarin, Mr. Rupert Myer AO and Mr. Dennis Lin.</p> <p>For the individual attendances, please refer to "Composition of the Board, number of the Board meetings and Directors Attendance" section of this report.</p>
<p>Recommendation 2.2:</p> <p>Companies should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	Complied	<p>The Board maintains a Board Skills Matrix of the current Directors of the Board. The Company's Board Skills Matrix is contained in the Board Charter which is contained in the Corporate Governance Plan.</p>
<p>Recommendation 2.3:</p> <p>Companies should disclose:</p> <ul style="list-style-type: none"> • the names of the Directors considered by the Board to be independent Directors; • if a Director has an interest, position, association or relationship of the type described in Box 2.3 (Factors relevant to assessing the independence of a Director) but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and • the length of service of each Director. 	Complied	<p>Currently the Board consists of six members, of which three are independent Non-Executive Directors, namely, Mr. Rupert Myer AO, Mr. Heath Zarin and Mr. Dennis Lin.</p> <p>The Board has assessed, using the criteria set out in the ASX Corporate Governance Principles and Recommendations, the independence of Non-Executive Directors in light of their interests and relationships and considers them all to be independent.</p>

<p>Recommendation 2.4: A majority of the Board should be independent Directors.</p>	<p>Not Complied</p>	<p>The Board determines the size and composition of the Board, subject to limits imposed by the Company's Constitution.</p> <p>Of the six Directors, only three Non-Executive Directors namely, Mr. Rupert Myer AO, Mr. Heath Zarin and Mr. Dennis Lin are considered by the Board to be independent.</p> <p>The Board structure will continue to be reviewed at the appropriate stages of the Company's development.</p>
<p>Recommendation 2.5: The chair of the Board should be an independent Director and should not be the same person as the Chief Executive Officer.</p>	<p>Partially Complied</p>	<p>The current Chairman, Mr. John Lau, is an Executive Director and is not considered independent under the ASX Corporate Governance Principles.</p> <p>The Board considers that the Chairman, as a founder, is key for the business development and decision making in Hong Kong and the Company has adequate procedures to ensure the independence of the Chairman's decisions. For example, the Chairman will deal with any conflicts that arise, address differences of opinion and ensure contrary votes are recorded at Board meetings and ensure Directors or the Chairman himself with material personal interests in a matter leave the meeting while the matter is discussed, unless a resolution has been passed by the non-interested Directors allowing the interested Director to remain in the meeting and participate in discussions.</p> <p>The Chairman is not the Chief Executive Officer of the Company.</p>
<p>Recommendation 2.6: Companies should have a program for inducting new Directors and providing appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.</p>	<p>Complied</p>	<p>The Directors are expected to undertake an appropriate continuing professional development program or education for the purpose of developing and maintaining the skills and knowledge for normal discharge of their formal Director duties effectively.</p> <p>During the year, the Directors are continually updated on the development of statutory and regulatory regime and the business environment which provided by the Company and external parties.</p>
<p>Principle 3 – Act ethically and responsibly</p>		
<p>Recommendation 3.1: Companies should: (a) establish a code of conduct for its Directors, senior executives and employees; and (b) disclose the code or a summary of the code.</p>	<p>Complied</p>	<p>The Board has established a Code of Conduct, which is contained in the Corporate Governance Plan.</p> <p>The Code of Conduct provides that the Directors will act with honesty and integrity, will avoid conflicts of interest, protect confidential and proprietary information and treat others equitably and with professionalism courtesy and respect.</p>

Principle 4 – Safeguard integrity in corporate reporting		
<p>Recommendation 4.1: The Board should establish an audit committee which:</p> <ul style="list-style-type: none"> consists of at least three members all of whom are non-executive Directors, the majority of independent Directors; is chaired by an independent chair who is not the chairman of the Board. <p>The Board must disclose the charter of the audit committee, the relevant qualifications and experience of the members of the committee and the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>	Complied	<p>The Board has established an Audit and Risk Management Committee.</p> <p>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter. The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan.</p> <p>The Audit and Risk Management Committee is chaired by Mr. Rupert Myer AO, an independent Director who is not Chairman of the Board.</p> <p>The Audit and Risk Management Committee consists of three members namely, Mr. Rupert Myer AO, Mr. Heath Zarin and Mr. Dennis Lin. Of these members, all are independent Non-Executive Directors.</p> <p>For the individual attendances, please refer to "Composition of the Board, number of the Board meetings and Directors Attendance" section of this report.</p>
<p>Recommendation 4.2: Before approving a Company's financials, the Board must receive declarations from the Company's Chief Executive Officer and Chief Financial Officer that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Partially Complied	<p>The Board has received the necessary declaration from the Chief Financial Officer, Mr. Garnok Cheung prior to approving the unaudited and audited financial statements. This process will continue for any future approval of the Company's financial statements.</p> <p>No declaration was received from the Chief Executive Officer, Mr. Will Zhao who was newly appointed on February 25, 2019.</p>
<p>Recommendation 4.3: Companies must ensure that its external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.</p>	Complied	<p>The Company's external auditor had attended the Annual General Meeting held on June 20, 2018.</p> <p>The Company will invite external auditor to attend its forthcoming Annual General Meeting and any future Annual General Meeting to answer questions from security holders relevant to the audit.</p>

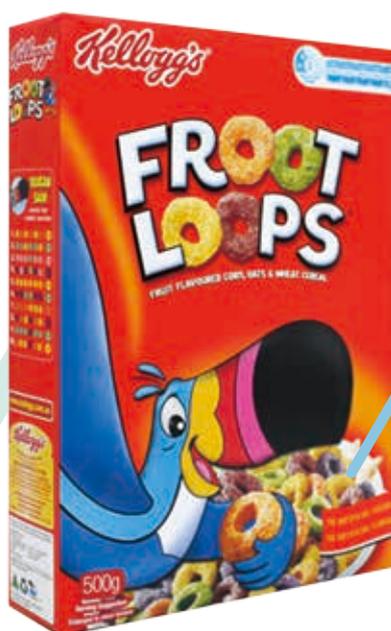
Principle 5 – Make timely and balanced disclosure		
<p>Recommendation 5.1: Companies should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	Complied	<p>The Board has adopted a Continuous Disclosure Policy and Communications Strategy which is set out in the Corporate Governance Plan.</p> <p>The Company respects the rights of its Shareholders and facilitates the exercise of those rights, the Company is committed to communicating effectively with Shareholders, providing Shareholders with ready access to balanced and understandable information about the Company and corporate proposals and making it easier for Shareholders to participate in general meetings of the Company.</p>
Principle 6 – Respect the rights of security holders		
<p>Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.</p>	Complied	<p>The Board aims to ensure that the Shareholders are informed of all major developments affecting the Company's state of affairs.</p> <p>The Company has established on its website, www.eCargo.com where Shareholders can find information such as financial statements and major development of the Company as well as all relevant corporate governance material under the Media and News and corporate governance landing pages.</p>
<p>Recommendation 6.2: Companies should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	Complied	<p>Shareholders are encouraged to fully participate at the Annual General Meeting or other General Meeting to ensure effective two way communication.</p> <p>Shareholders are also able to direct any questions relating to the Company's securities to the share registry, Link Market Services Limited.</p>
<p>Recommendation 6.3: Companies should disclose the policies it has in place to facilitate and encourage participation at meetings of Shareholders.</p>	Complied	<p>The communication strategy is contained in the Continuous Disclosure Policy and Communications Strategy is designed to ensure that Shareholders are informed of all relevant developments. Details of the information can be found on the Company's website www.eCargo.com under the corporate governance landing page of the Investor Information section.</p> <p>The Company encourages full participation of Shareholders at the Annual General Meeting. The Chairman encourages Shareholders to ask reasonable questions at the Annual General Meeting. The Board makes itself available to all Shareholders both before and after the Annual General Meeting.</p>
<p>Recommendation 6.4: Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	Complied	<p>All Shareholders have the right to access details of their holdings, provide email address contacts and make certain elections via the Company's share registry, Link Market Services Limited by accessing the web site www.linkmarketservices.com.au. Shareholders have the right of option of receiving all or a selection of communication electronically.</p>

Cutting-edge Strategy

Principle 7 – Recognise and manage risk		
<p>Recommendation 7.1: The Board should establish a risk management committee which:</p> <ul style="list-style-type: none"> (a) has at least 3 members, the majority of whom independent Directors; (b) is chaired by an independent chair. <p>The Board must disclose the charter of the risk management committee, members of the risk management committee, the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings</p>	<p>Complied</p>	<p>The Board has established an Audit and Risk Management Committee.</p> <p>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter. The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan.</p> <p>The Audit and Risk Management Committee is chaired by Mr. Rupert Myer AO, an independent Director who is not Chairman of the Board.</p> <p>The Audit and Risk Management Committee consists of three members namely, Mr. Rupert Myer AO, Mr. Heath Zarin and Mr. Dennis Lin. Of these members, all are independent Non-Executive Directors.</p> <p>For the individual attendances, please refer to "Composition of the Board, number of the Board meetings and Directors Attendance" section of this report.</p>
<p>Recommendation 7.2: The Board should:</p> <ul style="list-style-type: none"> (a) review the Company's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such review has taken place. 	<p>Complied</p>	<p>The Audit and Risk Management Committee has reviewed the Risk Management framework.</p> <p>The Audit and Risk Management Committee will continue the process to review the risk management framework at least annually; and will disclose such review accordingly.</p>
<p>Recommendation 7.3: Companies should disclose;</p> <ul style="list-style-type: none"> (a) their internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>Complied</p>	<p>The Company maintained an internal audit function to ensure the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> <p>The Board is ultimately responsible for maintaining a sound and effective system of internal control and risk management of the Company and considers that the identification and management of key risk associated with the business is vital.</p>
<p>Recommendation 7.4: Companies should disclose whether they have any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Complied</p>	<p>The Company does not have any material exposure to economic, environmental and social sustainability risks. The material risks are disclosed at Directors' Report of the Annual Report.</p>

Principle 8 – Remunerate fairly and responsibly		
<p>Recommendation 8.1: The Board should establish a remuneration committee which:</p> <ul style="list-style-type: none"> • have at least 3 members, the majority of whom independent Directors; • is chaired by an independent chair. <p>The Board must disclose the charter of the remuneration committee, members of the remuneration committee, the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.</p>	Complied	<p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter contained in the Corporate Governance Plan.</p> <p>The Nomination and Remuneration Committee is chaired by Mr. Heath Zarin, an independent Director, and consists of three non-executive Directors. Of these members, all are independent, Non-Executive Directors, namely, Mr. Heath Zarin, Mr. Rupert Myer AO and Mr. Dennis Lin.</p> <p>For the individual attendances, please refer to “Composition of the Board, number of the Board meetings and Directors Attendance” section of this report.</p>
<p>Recommendation 8.2: Companies should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.</p>	Complied	<p>The remuneration structure for the non-executive Directors is not related to performance. Non-executive Directors receive fixed fees which reflect their skills, responsibilities and the time commitments required to discharge their duties.</p> <p>The remuneration structure for senior executives reflects the Company’s performance culture: there is a direct correlation between the executive’s reward and the Company’s performance so as to seek to ensure that the Company’s remuneration policy is aligned with its long term business objectives and the interests of Shareholders and other stakeholders.</p>
<p>Recommendation 8.3: Companies which have equity-based remuneration schemes should have and disclose a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</p>	Not applicable	<p>The Company does not have an equity based remuneration scheme.</p>

Directors' Report



The Directors of eCargo Holdings Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively "ECG") for the year ended 31 December 2018.

The functional and presentation currency of the Company as of the reporting date is Hong Kong Dollars ("HK\$").



Principal Activities

The principal activities of ECG are the development and provision of eCommerce technologies, integrated offline and online supply chain operations, and provision of digital commerce solutions services in the People's Republic of China (the "PRC"), Hong Kong, Australia and New Zealand. The activities of the subsidiaries are set out in Note 16 to the consolidated financial statements.

Results and Appropriations

The results of ECG for the year are set out in the consolidated statement of comprehensive income on page 48.

The Directors do not recommend the payment of a dividend.

Share Capital and Debentures Issued

No shares and debentures were issued by the Company in the year ended 31 December 2018.

Equity-linked Agreements

No equity-linked agreements were entered into by the Company at any time during the year or subsisted at the end of the year.

Directors

(a) Directors of the Company ("Directors", or individually a "Director")

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. John Lau

Non-Executive Director

Ms. Jessica Rudd (appointed on January 24, 2018)

Mr. Christopher Lau (re-designated from executive director to non-executive director on March 14, 2018)

Independent Non-Executive Directors

Mr. Rupert Myer AO

Mr. Heath Zarin

Mr. Dennis Lin (appointed on April 9, 2018)

Mr. Christopher Ryan (resigned on April 9, 2018)

(collectively, the "Board of Directors")

Remuneration

The remuneration of Directors and key management personnel are set out in Note 9 to the consolidated financial statements.

In accordance with Article 23 of the Company's Articles of Association, Mr. John Lau and Mr. Heath Zarin retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. John Lau, Mr. Christopher Lau and Ms. Jessica Rudd are also Directors in certain subsidiaries of the Company. Other Directors of the Company's subsidiaries during the year and up to the date of this report are: Mr. Jason Byrne, Ms. Yip Sau Ling, Mr. Albert Tse, Ms. Yip Hiu Ching and Mr Gilbert Wong

Financial and Operations Review

	Year ended/ As at 31 December 2018 HK\$	Prior year HK\$	Percentage 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%
EBITDA loss excluding share of results of an associate, impairment provision for interest in an associate, gain or loss on fair value of acquisitions and financial derivatives, and impact of foreign exchange	(10,090,670)	(16,393,102)	-38%
Total assets	169,564,068	183,545,579	-8%
Net assets	46,398,996	87,308,192	-47%

The Chief Operating Decision Makers ("CODM") assesses and measures the operating performance of ECG based on the revenue and EBITDA (excluding share of results of an associate, impairment provision for interest in an associate, gain or loss on fair value of acquisitions and financial derivatives, and impact of foreign exchange) as CODM believes that such information is the most relevant in evaluating the results of ECG.

Consolidated revenue of the year was HK\$134.5 million (2017: HK\$144.5 million) with HK\$32.5 million (2017: HK\$49.8 million) coming from the eCommerce-enabling business, HK\$97.1 million (2017: HK\$92.3 million) contributed by Amblique while HK\$2.5 million (2017: nil) from 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 reported an EBITDA loss excluding share of results of an associate, impairment provision for interest in an associate, gain or loss on fair value of acquisitions and financial derivatives, and impact of foreign exchange of HK\$10.1 million, 38% less than prior year. ECG incurred a loss per share of HK\$22.03 cents for the year.

The Company did not propose any dividend distribution or share buy-back during the year ended 31 December 2018.

For a more detailed review of the performance of ECG, please refer to its 2018 full year financial results announcement released on February 22, 2019 and Chairman Statement in this Report.

Major Customers

For the year ended 31 December 2018, the five largest customers of ECG accounted for approximately 46% of ECG's total revenue. There are two single customers contributing 10% or more of ECG's total revenue.

Environmental policy and regulation

ECG's environmental management policy is to promote sustainable economic development in all business units, while, at the same time, endeavouring to measure the impact of activities on the environment and improve the results in terms of their environment-friendliness; lessen the consumption of natural resources by re-use, recycling or reduced use of materials, and using products that are recyclable or come from sustainable sources; and apply environment-friendly practices in all our offices and facilities.

ECG is implementing several initiatives at its offices and facilities. Examples include using recycling paper, promoting double-page printing, promoting a paperless environment, installing energy-efficient lighting fixtures and sectioned lighting, and introducing energy-saving equipment.

ECG does not carry out any activities that have a material influence on the environment. As such, the Directors are not aware of any material issues affecting ECG or its compliance with the relevant environment protection agencies or related regulatory authorities.

Key risk factors

The key risk factors are risks that the Directors and Management focus on when managing the businesses of ECG that may have the potential, if they occurred, to result in significant adverse consequences for ECG.

Risks related to ECG's businesses and risks related to the industry in which ECG operates.		
Risk	Description of risk	Risk mitigation strategies
Risk that ECG's marketing strategy to recruit Merchants is not effective	There are risks that ECG's marketing strategy to engage Merchants is not successful. This would result in ECG failing to meet revenue targets and have a material and adverse effect on the operating results of ECG.	ECG has a clear marketing strategy in place. In the event such a marketing strategy proves to be unsuccessful, ECG shall refocus and look to qualified professional advisors in the industry to assist to refine its marketing strategy.

Risk	Description of risk	Risk mitigation strategies
<p>Risk that ECG may subject to liquidity issue and might not have the necessary resources to fulfill its funding obligations.</p>	<p>With ECG's existing liquidity and cash position, ECG relies on standby facility from its major shareholder to fund its short term obligations as they fall due.</p>	<p>ECG is closely monitoring its working capital and cash flow with regular reporting to the Board of Directors of ECG.</p> <p>ECG had obtained the standby facility from its major shareholder in supporting the liquidity for daily operations.</p> <p>ECG will continue to evaluate its business needs and performance of its various business units and will prioritise its resources in accordance to the prospects of the various business units.</p>
<p>Risk that ECG's intellectual property may be used without authorisation or stolen.</p>	<p>ECG relies on a combination of copyright, nondisclosure agreements and other methods to protect its intellectual property rights.</p> <p>To protect its trade secrets and other proprietary information, employees, consultants, advisors and collaborators are required to enter into confidentiality agreements. These agreements might not provide meaningful protection for the trade secrets, know-how or other proprietary information in the event of any unauthorised use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information.</p>	<p>ECG has only disclosed sensitive intellectual property or related information to particular employees, consultants, advisors, collaborators and Merchants on a "need-to-know-basis". ECG requires all such employees, consultants, advisors, collaborators and Merchants to enter into confidentiality agreements or through the confidentiality clauses in employment agreements to protect the confidentiality of such intellectual property or related information. Where necessary ECG will enforce its intellectual property rights through litigation or arbitration.</p> <p>In regards to all new Merchants, ECG will ensure that robust intellectual property safeguards are contained in their respective Service Agreements.</p>
<p>Risk that ECG's merchants' online revenues are below expectations.</p>	<p>There is a risk that ECG's Merchants do not achieve online revenues according to expectations driven by a number of factors including but not limited to the marketing strategy deployed, merchandise mix, product availability and pricing. This would result in ECG failing to meet revenue targets and have a material and adverse effect on the operating results of ECG.</p>	<p>ECG mitigated this risk by redefining its target Merchant pipeline and focusing marketing efforts on Merchants who have a proven product and well-recognised brands and a willingness to invest in marketing activities, so that they are relatively more likely to succeed in generating online sales. ECG shall continue to monitor this closely and allocate appropriate resources in accordance with Merchants' online sales activity and potential.</p>
<p>Risk that increases in wages will increase net cash outflow and gross margin and net profit may decline.</p>	<p>In recent years, wages particularly in PRC's eCommerce industry have increased and may continue to increase at a faster rate. Wage increases will increase ECG's personnel cost and cost of operations. As a result, ECG's gross margin and net profit may decline.</p>	<p>ECG will need to pay employees market rate in order to attract and retain skilled employees. ECG will, however, try to offset increases in wages by improving the efficiency of work flows and productivity of employees.</p>

Risk	Description of risk	Risk mitigation strategies
<p>Uncertainties with respect to the PRC legal system could have a material adverse effect on ECG.</p>	<p>ECG conducts its business primarily through its subsidiaries established in Hong Kong and PRC. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in PRC. Despite the legal system in PRC continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit the legal protection available to ECG.</p>	<p>Uncertainties with respect to PRC's legal system are beyond the control of ECG. That said, in regards to eCommerce, the Chinese Government has promulgated in its most recent 5 year plan supporting eCommerce as the future of retailing in PRC.</p>
<p>The continued growth of the PRC's internet market depends on the establishment of an adequate telecommunications infrastructure.</p>	<p>Although private sector internet service providers currently exist in PRC, almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology. eCommerce transactions rely on this infrastructure to provide data communications capacity primarily through local telecommunications lines. Although the Chinese Government has announced plans to develop aggressively the national information infrastructure, ECG cannot assure that this infrastructure will be successfully developed.</p>	<p>Uncertainties with respect to telecommunications infrastructure in the PRC is a risk which is beyond the control of ECG. That said, there is no indication that there will be a severe breakdown on the infrastructure.</p>
<p>Risk that ECG's management and key personnel may discontinue their services.</p>	<p>ECG relies on the expertise and experience of its Board of Directors and its management team to ensure its future success. There is a risk that if one or more of ECG's management or Directors were unable or unwilling to continue in their present position, ECG's business, financial condition and results of operations may be materially adversely affected and employment costs may increase.</p>	<p>In the event any key personnel were to leave ECG, the Nomination and Remuneration Committee would aim to ensure a suitable replacement were found within the timeframes required and not at unreasonable cost to ECG.</p>
<p>Risk that the negative indicator(s) on intangible assets, mainly on eCoreOS and eCWMS, exist and therefore impairment is required.</p>	<p>According to the Accounting Standards, intangible assets are subject to impairment assessment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.</p> <p>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.</p> <p>If ECG failed to achieve the budget or business plan, it will be an indicator for impairment which may adversely impact the bottom line of ECG.</p>	<p>ECG had assessed the value of those intangible assets and no impairment required. ECG's external auditor had also carried out a review over the intangible assets as at December 31, 2018 with no objection to management view.</p>

Risk	Description of risk	Risk mitigation strategies
Risk that the negative indicator(s) on interest in associates and impairment is required.	<p>According to the Accounting Standards, interest in associate is subject to impairment assessment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.</p> <p>The interest in associates will be subject to impairment assessment when the performance of the associates cannot meet the budget or business plan proposed at acquisition date.</p>	<p>ECG closely monitors the performance and business development of the associate entity. ECG management had assessed the value of those associates and considered the book value is fair.</p> <p>ECG's external auditor had reviewed the performance and indicator as at December 31, 2018 and the carrying values of interest in associates, and no objection to the management view.</p>
Risk that the negative indicator on interest in MM/WWE project and impairment is required.	<p>According to the Accounting Standards, assets on balance sheet are subject to impairment assessment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.</p> <p>The interest in MM/WWE will be subject to impairment assessment when the performance cannot reach the budget or business plan proposed at investment date.</p>	<p>ECG closely monitors the performance and business development of the project.</p> <p>MM has ceased its operation in November 2018. ECG has made a provision for impairment of HK\$72.5 million, representing all of the carrying value.</p> <p>ECG's external auditor had review the impairment provision and no objection to the management view.</p>

Directors' Interest in Shares/Chess Depository Interests ("CDIs")

As at the date of report, the Directors have the following interests in fully-paid shares/CDIs in the Company.

Director	Number of Shares and equivalent CDIs held directly	Number of Shares and equivalent CDIs held indirectly
Mr. Christopher Lau	8,142,460	Nil
Mr. John Lau	Nil	396,872,460
Ms. Jessica Rudd	Nil	35,382,225
Mr. Rupert Myer AO	Nil	9,000,000
Mr. Dennis Lin	31,000	Nil
Mr. Heath Zarin	Nil	Nil

None of the Directors hold any partly-paid shares or options at the date of this report.



Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to ECG's Business

No transactions, arrangements and contracts of significance in relation to ECG's business to which the specified undertaking of ECG 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.

Directors' Interest in the Underlying Shares of the Company or Any Specified Undertaking of the Company

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors to hold any interests or in the shares, or debentures, or underlying shares of the Company or its specified undertakings.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Permitted Indemnity Provisions

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise) or an associated company (if made by the Company).

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors,

Mr. John Lau
Executive Chairman

Hong Kong, March 26, 2019

2018 Financials



Independent Auditor's Report



羅兵咸永道

To the Members of eCargo Holdings Limited

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of eCargo Holdings Limited (the "Company") and its subsidiaries (collectively "ECG" or the "Group") set out on pages 48 to 123, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter identified in our audit are summarised as follows:

- Accounting for the transactions in respect of Jessica's Suitcase Pty Limited ("Jessica's Suitcase")
- Goodwill impairment assessment

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Accounting for the transactions in respect of Jessica's Suitcase</p> <p>Refer to notes 4, 17, 28 and 29 to the consolidated financial statements.</p> <p>On 24 January 2018, ECG acquired 45% interest in Jessica's Suitcase and an option to acquire the remaining 55% interest in Jessica's Suitcase by issuing a number of CHESS Depository Interests ("CDIs") equivalent to 15% equity interest in the Company.</p> <p>ECG accounted for the investment in 45% interest in Jessica's Suitcase as an investment in an associate using the equity method upon the acquisition with an initial carrying value of approximately HK\$69.1 million and recognised goodwill and identifiable intangible assets of approximately HK\$33.5 million and HK\$36.3 million, respectively. ECG also accounted for the option to acquire the remaining 55% interest in Jessica's Suitcase as a derivative financial instrument at its initial fair value of approximately HK\$29.3 million. ECG engaged an external valuer to appraise the fair value of the identifiable intangible assets and the call option acquired in the transaction.</p>	<p>Our procedures in relation to management's assessment included:</p> <ul style="list-style-type: none"> • Assessing the competency, objectivity and independence of the external valuer engaged by ECG; • Assessing the appropriateness of the valuation methodologies and assumptions over pre-tax discount rate and volatility used in determining the fair value of the identifiable intangible assets and the call option with the assistance of our internal valuation expert; • Evaluating the appropriateness of the valuation methodologies used in determining the fair values of the identifiable intangible assets and the call option with reference to our industry knowledge and market practices; and • Assessing the reasonableness of the assumptions over revenue growth rate and supplier attrition rate by comparing these assumptions used in the valuation against relevant market data and industry research. <p>We found that the management judgements and estimates used to determine the methodologies and key assumptions underlying the fair values of the call option and identifiable intangible assets used in accounting for the transactions in respect of Jessica's Suitcase to be supportable by available evidence.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>On 8 November 2018, ECG entered into a deed of amendments where the terms of the option to acquire the remaining 55% interest in Jessica's Suitcase were amended. The amendment resulted in the derecognition of the option and recognition of the option under the amended terms at its fair value of HK\$43.2 million where this value was appraised by an external valuer. The difference in fair value of HK\$13.9 million was recorded as gain in the consolidated statement of comprehensive income during the year.</p>	
<p>ECG exercised the call option to acquire the remaining 55% of the shares in Jessica's Suitcase on 8 November 2018. ECG accounted for the increase in interest in Jessica's Suitcase by derecognising its interest in an associate and recognising an acquisition of a subsidiary as the Group has obtained control over Jessica's Suitcase. A loss of approximately HK\$39.0 million was recorded in the consolidated statement of comprehensive income upon the derecognition of the interest in an associate. The acquisition of subsidiary was treated as a business combination where the Group recognised goodwill and identifiable intangible assets of approximately HK\$45.5 million and HK\$37.7 million, respectively. The fair values of the identifiable intangible assets were appraised by an external valuer.</p>	
<p>We focused on this area due to the magnitude of the transaction amounts as well as the significant management judgements and estimates involved to determine the methodologies and key assumptions underlying the fair values of the call option and identifiable intangible assets used in accounting for the transactions in respect of Jessica's Suitcase. The key assumptions used in the valuations included revenue growth rate, supplier attrition rate, pre-tax discount rate, risk-free rate and volatility.</p>	

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Goodwill impairment assessment Refer to notes 4 and 15 to the consolidated financial statements of ECG.</p> <p>As at 31 December 2018, ECG had goodwill of HK\$13.5 million relating to the eCommerce solutions services cash generating unit in Australia ("Australia CGU").</p> <p>An annual impairment assessment was performed in respect of the goodwill of the Australia CGU. In carrying out the impairment assessment, management calculates the value-in-use of the Australia CGU to determine its recoverable amount. Significant management judgements and estimates are used to estimate the future cash flows and to determine the key assumptions, including the compound annual growth rate ("CAGR") of revenue, EBITDA margin, pre-tax discount rate and terminal growth rate, underlying the value-in-use calculation. Management has concluded that no provision for impairment loss is necessary as at 31 December 2018.</p> <p>We focused on this area due to the significant management judgement to determine the key assumptions underlying management's impairment assessment.</p>	<p>Our procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none">• Assessing the appropriateness of valuation methodologies adopted and the reasonableness of assumptions over pre-tax discount rate and terminal growth rate used in the valuation with reference to available market data;• Evaluating the reasonableness of the assumptions over CAGR of revenue and EBITDA margin with reference to historical performance of the Australia CGU and our knowledge of the business,;• Comparing the current year actual revenue growth and EBITDA margin with the prior year projections to consider if the projections included assumptions that were overly optimistic;• Testing source data, on a sample basis, to supporting evidence, such as approved budgets, service contracts and available market data, to consider the reasonableness of management's revenue growth and EBITDA margin estimates; and• Evaluating management's sensitivity analysis around the terminal growth rate and EBITDA margin to consider the extent of changes in those assumptions that would result in an impairment of goodwill. <p>We found that the judgement and estimates used to determine the key assumptions underlying management's impairment assessment of goodwill to be supported by available evidence.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Hang, Benson.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 March 2019

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)
Gross profit		71,463,211	80,478,976
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)
Operating loss		(34,455,188)	(65,745,364)
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)	–
Loss before income tax		(134,838,128)	(68,761,372)
Income tax credit	12	142,243	249,849
Loss for the year		(134,695,885)	(68,511,523)
Loss for the year is attributable to:			
Owners of the Company		(134,401,793)	(68,511,523)
Non-controlling interests		(294,092)	–
		(134,695,885)	(68,511,523)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		(4,632,994)	5,788,129
Total comprehensive loss for the year		(139,328,879)	(62,723,394)
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(139,034,787)	(62,723,394)
Non-controlling interests		(294,092)	–
		(139,328,879)	(62,723,394)
Loss per share for loss attributable to owners of the Company			
– Basic and diluted (HK cents per share)	13	(22.03)	(12.80)

The notes on pages 53 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 HK\$	2017 HK\$
Assets			
Non-current assets			
Property, plant and equipment	14	1,763,902	3,330,325
Intangible assets	15	105,259,791	50,877,676
Interest in an associate	17	–	72,504,113
Deferred income tax assets	23	1,306,784	256,553
Prepayment and deposits	20	7,346,835	856,251
		115,677,312	127,824,918
Current assets			
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
		53,886,756	55,720,661
Total assets		169,564,068	183,545,579
Equity and liabilities			
Equity attributable to owners of the Company			
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)
Total equity		46,398,996	87,308,192

The notes on pages 53 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 HK\$	2017 HK\$
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	23	10,921,657	2,981,792
Borrowing	26	58,420,349	44,412,560
		69,342,006	47,394,352
Current liabilities			
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	–
		53,823,066	48,843,035
Total liabilities		123,165,072	96,237,387
Total equity and liabilities		169,564,068	183,545,579

The notes on pages 53 to 123 are an integral part of these consolidated financial statements.

The financial statements on page 48 to 123 were approved by the Board of Directors on March 26, 2019 and were signed on its behalf by:

Mr. John Lau
Executive Chairman

Mr. Christopher Lau
Non-Executive Director

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	Accumulated	Total		
		translation reserve				
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Balance at 1 January 2017	329,401,285	(1,985,934)	(177,383,765)	150,031,586	-	150,031,586
Comprehensive loss						
Loss for the year	-	-	(68,511,523)	(68,511,523)	-	(68,511,523)
Other comprehensive gain						
Currency translation differences						
- ECG	-	1,412,425	-	1,412,425	-	1,412,425
- Associate	-	4,375,704	-	4,375,704	-	4,375,704
Total comprehensive gain/(loss) for the year	-	5,788,129	(68,511,523)	(62,723,394)	-	(62,723,394)
Balance at 31 December 2017	329,401,285	3,802,195	(245,895,288)	87,308,192	-	87,308,192
Balance at 1 January 2018	329,401,285	3,802,195	(245,895,288)	87,308,192	-	87,308,192
Comprehensive loss						
Loss for the year	-	-	(134,401,793)	(134,401,793)	(294,092)	(134,695,885)
Other comprehensive loss						
Currency translation differences						
- ECG	-	(4,632,994)	-	(4,632,994)	-	(4,632,994)
Total comprehensive loss for the year	-	(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	-
Balance at 31 December 2018	427,820,968	(830,799)	(380,591,173)	46,398,996	-	46,398,996

The notes on pages 53 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK\$	2017 HK\$
Cash flows from operating activities			
Cash generated from/(used in) operations	25	3,905,514	(18,039,195)
Income tax refunded		742,168	2,133,498
Net cash generated from/(used in) operating activities		4,647,682	(15,905,697)
Cash flows from investing activities			
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
Net cash used in investing activities		(8,574,840)	(948,549)
Cash flows from financing activities			
Proceeds from borrowing	30(i)	9,500,000	22,573,655
Net cash generated from financing activities		9,500,000	22,573,655
Net increase in cash and cash equivalents			
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
Cash and cash equivalents at end of year	21	17,614,983	12,702,478

The notes on pages 53 to 123 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

eCargo Holdings Limited (the “Company”) and its subsidiaries (collectively, “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.

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

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 9, Financial Instruments (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.

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 9, Financial Instruments (Continued)

(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.

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.

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 (Continued)

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.

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

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 3	Definition of a business (amendment)	1 January 2020
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

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 Statement of financial position 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.

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 (Continued)

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

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

2.3 Subsidiaries (Continued)

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.

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

2.3 Subsidiaries (Continued)

2.3.3 Associates (Continued)

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.

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

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.

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

2.4 Business combinations (Continued)

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.

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.

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

2.6 Foreign currency translation (Continued)

(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.

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

2.8 Intangible assets

(a) Goodwill

Goodwill arising 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.

(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 relationships 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 relationships 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.

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

2.8 Intangible assets (Continued)

(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.

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.

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

2.10 Investment and other financial assets (Continued)

(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.

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.

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

2.10 Investment and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- 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.

(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.

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

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.

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.

Notes to the Consolidated Financial Statements

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

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.

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

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.

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.

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

2.18 Current and deferred income tax (Continued)

(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.

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.

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.

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

2.21 Revenue recognition (Continued)

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.

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

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.

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.

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 uses 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.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

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

	Lifetime expected loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
As at 31 December 2018				
Individual assessment	100%	221,800	(221,800)	–
Collective assessment				
Current	0.1%	13,404,234	–	13,404,234
Past due:				
1 to 30 days	0.1%	4,365,056	–	4,365,056
31 to 60 days	0.2%	864,487	–	864,487
61 to 90 days	0.5%	246,009	–	246,009
Over 90 days	1.0%	3,303,655	–	3,303,655
		22,183,441	–	22,183,441
As at 31 December 2017				
Individual assessment	100%	255,824	(255,824)	–
Collective assessment				
Current	0.1%	22,726,790	–	22,726,790
Past due:				
1 to 30 days	0.1%	4,917,321	–	4,917,321
31 to 60 days	0.2%	3,645,019	–	3,645,019
61 to 90 days	0.5%	1,195,010	–	1,195,010
Over 90 days	1.0%	1,151,380	–	1,151,380
		33,635,520	–	33,635,520

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 Financial risk management (Continued)

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.

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\$.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

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", "contract assets", "trade and other payables", "contract liabilities", "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.

4 Critical accounting estimates and judgments (Continued)

(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.

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.

4 Critical accounting estimates and judgments (Continued)

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

The purchase considerations for acquisition of interest in an associate and subsidiaries were allocated to the identifiable assets acquired and liabilities assumed based on management's estimations of fair value. The valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, management judgment is required to assess whether key assumptions used in the valuations are reasonable. Such key assumptions include i) revenue growth rate, supplier attrition rate and pre-tax discount rate relevant for the valuation of identifiable assets acquired; and ii) stock price volatility and risk-free rate relevant for the valuation of derivative financial instrument acquired. Changing the assumptions could affect the fair value of identifiable assets acquired and liabilities assumed and as a result affect the amounts of goodwill arising from acquisitions and the financial position of ECG as well as the fair value gain or loss, loss on disposal of interest in an associate and financial results 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, net finance income, share of results of an associate, impairment provision for interest in an associate, and gain or loss on fair value of acquisitions and financial derivatives.

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:

	2018			
	Greater China	Australia	Unallocated Corporate Income/ (Expense)	Consolidated
	HK\$	HK\$	HK\$	HK\$
Revenue from external customers	32,947,713	97,010,212	–	129,957,925
Revenue from related companies (Note 30)	2,100,724	–	2,400,000	4,500,724
	35,048,437	97,010,212	2,400,000	134,458,649
Gross profit	16,246,429	52,816,782	2,400,000	71,463,211
EBITDA (loss)/gain – excluding impact of foreign exchange	(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)
(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
(Loss)/profit for the year	(5,407,780)	3,475,335	(132,763,440)	(134,695,885)

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:

	2017 (Restated)			Consolidated HK\$
	Greater China HK\$	Australia HK\$	Unallocated Corporate Income/ (Expense) HK\$	
Revenue from external customers	46,399,371	92,267,995	-	138,667,366
Revenue from related companies (Note 30)	3,420,764	-	2,400,000	5,820,764
	49,820,135	92,267,995	2,400,000	144,488,130
Gross profit	22,359,207	55,719,769	2,400,000	80,478,976
EBITDA (loss)/gain – excluding impact of foreign exchange	(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	(7,323,340)	2,914,147	(64,352,179)	(68,761,372)
Income tax (expense)/credit	-	(467,584)	717,433	249,849
(Loss)/profit for the year	(7,323,340)	2,446,563	(63,634,746)	(68,511,523)

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\$
As at 31 December 2018				
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
	35,060,936	35,817,982	98,685,150	169,564,068
Segment liabilities	31,352,046	24,779,599	67,033,427	123,165,072
As at 31 December 2017 (As restated)				
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
	48,114,817	39,086,490	96,344,272	183,545,579
Segment liabilities	18,357,216	30,485,819	47,394,352	96,237,387

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.

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	–

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

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.

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	–
	134,458,649	144,488,130

Notes to the Consolidated Financial Statements

7 Expenses by nature

	2018	2017
	HK\$	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

8 Employee benefit expenses (including Directors’ emoluments)

	2018	2017
	HK\$	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
	62,308,948	81,607,439

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:

	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							Total
	Fees	Salary	Others*	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Employer's contribution to a retirement benefit scheme	Director	HK\$
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. John Lau	-	-	-	-	-	-	-	-
Mr. Christopher Lau ¹	-	-	-	-	-	-	-	-
Mr. Rupert Myer AO [#]	88,980	-	-	-	-	-	-	88,980
Mr. Christopher Ryan ^{#3}	46,610	-	-	-	-	-	-	46,610
Mr. Heath Zarin [#]	-	-	-	-	-	-	-	-
Ms. Jessica Rudd ⁴	89,987	-	-	-	-	-	-	89,987
Mr. Dennis Lin ^{#2}	67,488	-	-	-	-	-	-	67,488
	293,065	-	-	-	-	-	-	293,065

#: 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

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:

	Emoluments paid or receivable in respect of Director's other services						Total
	Remunerations paid or receivable in respect of accepting office as Director				in connection with the management of the affairs of the Company or its subsidiary undertaking		
	Fees	Salary	Others*	Employer's contribution to a retirement benefit scheme	Director		
	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	-	-	-	-	-	-	-
	213,666	2,672,000	-	12,000	-	-	2,897,666

[#]: Independent Non-Executive Directors

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

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)

(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).

(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

Notes to the Consolidated Financial Statements

11 Finance expense – net

	2018	2017
	HK\$	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)

12 Income tax credit

	2018	2017
	HK\$	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	(142,243)	(249,849)

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2017:16.5%). For the year ended 31 December 2018, tax recession relates to tax reduction to tax payable under Two-Tiered Profits Rates Regime capped at HK\$165,000 for one of the Hong Kong incorporated entities of the Group. 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.

Notes to the Consolidated Financial Statements

12 Income tax credit (Continued)

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	2017
	HK\$	HK\$
Loss before income tax	(134,838,128)	(68,761,372)
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	(142,243)	(249,849)

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	2017
	HK\$	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.

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

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

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
	13,457,804	37,305,506

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 Great 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.

Notes to the Consolidated Financial Statements

16 Subsidiaries

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

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Equity interest held by the Company directly	Equity interest held by the Company indirectly	Particulars of issued share capital/ registered capital
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	BVI, limited liability	Investment holdings in BVI	100%	-	50,000 ordinary shares of US\$1
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

Notes to the Consolidated Financial Statements

17 Interest in an associate

	2018	2017
	HK\$	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 of an associate	555,323	(2,331,406)
Derecognition of associate in 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 45% equity interest in Jessica's Suitcase in consideration of issuance to the shareholders of Jessica's Suitcase of such number of CHESS 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 the 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.

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\$
Net assets	
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 HK\$	2017 HK\$
Assets as per consolidated statement of financial position		
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

Other financial liabilities at amortised cost

	2018 HK\$	2017 HK\$
Liabilities as per consolidated statement of financial position		
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
	103,467,877	86,151,756

19 Trade receivables

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

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

Notes to the Consolidated Financial Statements

19 Trade receivables (Continued)

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
	18,415,962	33,635,520

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.

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	221,800	255,824

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.

Notes to the Consolidated Financial Statements

19 Trade receivables (Continued)

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	2017
	HK\$	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
	8,779,207	10,908,730

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

	2018	2017
	HK\$	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
	18,415,962	33,635,520

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

Notes to the Consolidated Financial Statements

20 Prepayments, deposits and other receivables

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

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

Notes to the Consolidated Financial Statements

21 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	2018	2017
	HK\$	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
	54,081	114,160

Cash and cash equivalents are denominated in the following currencies:

	2018	2017
	HK\$	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
	17,560,902	12,588,318
Total	17,614,983	12,702,478

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

Notes to the Consolidated Financial Statements

22 Trade payables, other payables and accruals

	2018	2017
	HK\$	HK\$
Trade payables	11,088,473	14,417,972
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	3,330,932	3,785,280
	17,155,766	16,847,678
	28,244,239	31,265,650

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

	2018	2017
	HK\$	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
	28,244,239	31,265,650

Notes to the Consolidated Financial Statements

23 Deferred income tax

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

	2018	2017
	HK\$	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
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)
Deferred income tax liabilities – net	(9,614,873)	(2,725,239)

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

	2018	2017
	HK\$	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	(9,614,873)	(2,725,239)

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:

Deferred income tax assets	2018 HK\$	2017 HK\$
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	1,306,784	256,553

Deferred income tax liabilities	2018 HK\$	2017 HK\$
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	(10,921,657)	(2,981,792)

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	80,250,000	98,419,683
As at 31 December 2018	615,250,000	427,820,968

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 an associate (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	–
	(10,090,670)	(16,123,829)
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
Cash generate from/(used in) operations	3,905,514	(18,039,195)

(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.

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	–
Issue of shares as consideration for the acquisition of an associate (Note 24)	98,419,683	–

26 Borrowing

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

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).

26 Borrowing (Continued)

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).

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
	4,116,992	4,578,911

28 Transactions with non-controlling interests

On 8 November 2018, ECG exercised the call option to acquire the remaining 55% of the issued share capital of Jessica's Suitcase. By acquiring Jessica's Suitcase, ECG also acquired the remaining 14.85% effective interest in ECG Australia Pty Limited ("ECG AUS"). Immediately prior to the acquisition, 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 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	–	–
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	294,092	–

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 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 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 values of identifiable intangible assets acquired in the Initial Acquisition and the call option to acquire the remaining 55% equity of Jessica's Suitcase were 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.

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

On the same date, ECG exercised the 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 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 based on the provisional purchase price allocation:

	HK\$
Purchase consideration	
Fair value of call option	43,266,935
Fair value of interest in Jessica's Suitcase previously held by ECG	30,645,511
	73,912,446
Recognised amounts of identifiable assets acquired and liabilities assumed	
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)
Total identifiable net assets	28,438,574
Goodwill	45,473,872
	73,912,446

There are no contingent liabilities relating to Step Acquisition.

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)

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\$
Inflow of cash to acquire business, net of cash	
Cash consideration	–
Cash and cash equivalent of subsidiaries acquired	374,889
	<hr/> 374,889 <hr/>

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.

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:

Name of related party	Relationship with ECG
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
深圳市一全通電子商務有限公司	Controlled by Mr. John Lau
深圳市看我商貿服務有限公司	Controlled by Mr. John Lau
深圳嘉宏互聯有限公司	Controlled by Mr. John Lau
WWE Group Limited	Joint venture of an associate
MyMM (Shanghai) Commerce Limited	Subsidiary of joint venture of an associate

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
– 深圳市一全通電子商務有限公司	62,345	–
– 深圳市看我商貿服務有限公司	20,471	–
	4,500,724	5,820,764
(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
	600,000	614,020
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
	11,350,367	16,067,609

(c) Key Management compensation – note (ii)

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

Notes to the Consolidated Financial Statements

30 Related party transactions (Continued)

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

	2018	2017
	HK\$	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	–
– 深圳嘉宏互聯有限公司	4,064	–
	2,323,400	–
	As at	As at
	31 December	31 December
	2018	2017
	HK\$	HK\$
(g) Amount due to Key Management – note (iii)		
Mr. Christopher Lau	–	266,000
(h) Balances with related parties – note (iv)		
– 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	–
– 深圳市一全通電子商務有限公司	62,345	–
	9,497,723	7,269,334
– 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)
	(21,371,406)	(17,577,385)

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\$.

Notes to the Consolidated Financial Statements

31 Statement of financial position and reserve movement of the Company

	Note	2018 HK\$	2017 HK\$
Assets			
Non-current assets			
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	–
		105,806,083	18,584,851
Current assets			
Amounts due from subsidiaries		232,490,445	232,189,087
Cash and cash equivalents		200	1,007
		232,490,645	232,190,094
Total assets		338,296,728	250,774,945
Equity			
Equity attributable to owners of the Company			
Share capital		427,820,968	329,401,285
Accumulated losses	a	(146,733,996)	(123,544,995)
Total equity		281,086,972	205,856,290
Liabilities			
Non-current liability			
Loan from a shareholder		56,111,770	44,412,560
Current liabilities			
Amounts due to subsidiaries		195,660	195,660
Other payables and accruals		902,326	310,435
		1,097,986	506,095
Total liabilities		57,209,756	44,918,655
Total equity and liabilities		338,296,728	250,774,945

Approved by the Board of Directors on March 26, 2019 and were signed on its behalf by:

Mr. John Lau
Executive Chairman

Mr. Christopher Lau
Non-Executive Director

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 amounted to A\$5.8 million 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 acquisition was completed on 25 February 2019 and the net asset value of Metcash Export was about A\$5.8 million. ECG paid A\$6.2 million on the date of completion.

The total consideration of the acquisition is A\$7.4 million. The provisional fair value of net identifiable assets of the Metcash Export is approximately A\$4.9 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.

32 Subsequent event (Continued)

- 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.

ASX additional information

Issued Capital

As at March 20, 2019, the Company has 615,250,000 ordinary fully paid shares on issue, of which 615,250,000 are held by Chess Depository Nominees Pty Ltd ("CDN"). CDN has issued 615,250,000 CHESS Depository Interests ("CDIs") in relation to these shares. CDN holds the legal title to shares on behalf of holders of CHESS Depository Receipts. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying shares.

CDIs are traded in a manner similar to shares of Australian companies listed on ASX. CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

A summary of all shares/CDIs showing restrictions is set out below:

Description	No. of Shares/CDIs
Voluntary restricted from trading until July 23, 2019	226,593,821
Unrestricted	388,656,179

There is currently no on-market buyback in place.

Substantial Shareholders

The substantial holders of CDIs are the following CDI holders listed below who have notified the Company that they are a substantial holder under the Corporations Act 2001 in Australia. In general, under the Corporations Act (Australia), a person who holds a relevant interest in shares/CDIs of more than 5% of the Company's issued share capital is a substantial holder.

Holder	No of Shares/ CDIs	% of issued capital
JL Enterprises Holdings Limited, CS China Logistics Limited and Mr John Lau	396,872,460	64.51%
SB International Investments Pty Limited, Ms. Jessica Rudd and Mr. Albert Tse	35,382,225	5.75%

Top 20 shares/CDI Holders as at March 20, 2019.

Rank	Name	Total Units	% Issued Capital
1	JL ENTERPRISES HOLDINGS LTD	372,937,640	60.62%
2	SB INTERNATIONAL INVESTMENTS PTY LTD	35,382,225	5.75%
3	CS CHINA LOGISTICS LIMITED	23,934,820	3.89%
4	YIWEN ZHANG	22,871,250	3.72%
5	TYCOON SMART LIMITED	17,500,000	2.84%
6	NATIONAL NOMINEES LIMITED	17,000,000	2.76%
7	XIAOQING YE	14,035,725	2.28%
8	TIGER WEALTH GLOBAL LIMITED	12,500,000	2.03%
9	INVESTORLINK CAPITAL PTY LTD	12,417,817	2.02%
10	CHRISTOPHER LAU	8,142,460	1.32%
11	CASTLE GIANT HOLDINGS LIMITED	7,500,000	1.22%
12	GLOBAL GOURMET HOLDINGS LIMITED	7,334,664	1.19%
13	WASHINGTON H SOUL PATTINSON & COMPANY LTD	5,625,000	0.91%
14	SUK KIU KIEAN LAU	3,592,857	0.58%
15	EXCEL PAN VENTURES LIMITED	3,500,000	0.57%
16	VENCO PTY LTD	2,450,000	0.40%
17	INSPIRING FUTURE LIMITED	2,022,000	0.33%
18	MUTUAL TRUST PTY LTD	2,000,000	0.33%
19	VENSUP PTY LTD	1,400,000	0.23%
20	FANDEXA NOMINEES PTY LTD	1,310,293	0.21%
20	MR JUSTUS JOHANNES AURELIUS WILDE	1,310,293	0.21%
Total Top 20 Holders		574,767,044	93.42%
Total Remaining Holders Balance		40,482,956	6.58%

Distribution of Shareholders/CDI holders

There were 923 shareholders/CDI holders at March 20, 2019. Each Shareholder/CDI holder is entitled to one vote for each security held.

Range	Total Holders	Units	% of issued capital
1-1,000	36	6,172	0.00%
1,001-5,000	280	940,318	0.15%
5,001-10,000	166	1,417,282	0.23%
10,001-100,000	350	12,834,760	2.09%
Over 100,000	91	600,051,468	97.53%
Totals	923	615,250,000	100.00%

There are no CDI holders who hold less than a marketable parcel as at March 20, 2019.

Voting Rights

The voting rights are that each CDI holder is entitled to 1 vote per CDI at a meeting of members, provided that a CDI Holder undertakes the following steps.

1. Instructing CDN as the legal owner to vote the shares underlying in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting and this must be completed and returned to the share registry prior to the meeting.
2. Informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their shares underlying the CDIS for the purposes of attending and voting at the general meeting or;
3. Converting their CDIs into a holding of these shares and voting these shares at the meeting.

Use of Cash Consistent with Business Objectives

The Company confirms that, for the whole financial year ended December 31, 2018, it has used cash and other assets readily convertible to cash that it held at time of admission, in a way consistent with its business objectives.

The Company's Place of Incorporation

As the Company is incorporated in Hong Kong and not established in Australia, its corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by the Hong Kong Companies Ordinance and the Hong Kong Securities and Futures Commission. The Company is not subjected to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 in Australia.

The following information is provided on an annual basis to comply with the conditions on listing on ASX.

Takeovers

The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong. The Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

- acquire 30% or more of the voting rights of a company; or
- hold not less than 30% but not more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period,

then a general offer must be made to all other shareholders of the company.

Compulsory Acquisition

Part 13 of the Hong Kong Companies Ordinance sets out the right to buy out minority shareholders. If within four months of making an offer to buy shares, a company has acquired 90% in value of the shares, the acquiring company may give notice to the remaining shareholders that it desires to acquire their shares. Provided that notice is given within five months of the original offer, the acquiring company is entitled and bound to acquire those shares on the same terms as the offer.

Substantial Share/CDI Holder notices

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively "Corporate Insiders") of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation.

Corporate Directory

Registered Office — Australia

C/O — Amblique Pty Limited
Suite 2, Level 3,
104–112 Commonwealth Street,
Surry Hills, NSW 2010
Phone: +61 4 0201 4994

Registered Office — Hong Kong

13103N ATL Logistics Centre B
3 Kwai Chung Container Terminals
New Territories, Hong Kong
Phone: +852 2481 8308

Share/CDI Registry

Link Market Services Limited
Level 12, 680 George Street,
Sydney, New South Wales 2000 Australia
Phone: +1300 554 474 (Australia)
+61 1300 554 474 (outside Australia)



eCargo Holdings Limited

ARBN: 601 083 069

Hong Kong Company
Registration Number: 2088880

Company Secretary

Irene Yip

Stock Exchange Listing

eCargo Holdings Limited,
CDIs are listed on the Australian
Securities Exchange (ASX)

Jessica's Suitcase



jessicassuitcase.tmall.hk

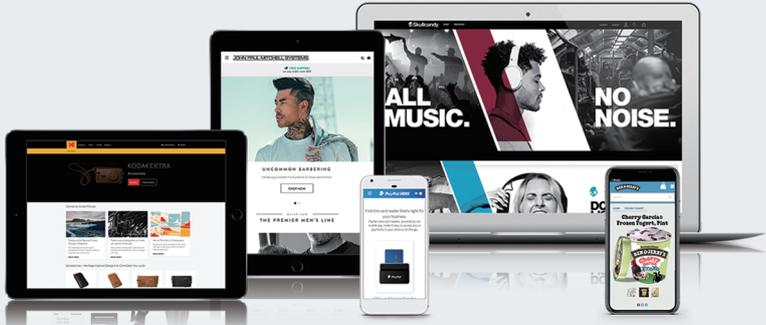
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- SEARCH & ACQUISITION
- DIGITAL COMMERCE IMPLEMENTATION
- GROWTH & OPTIMISATION
- 24/7 SUPPORT



Cargo

your eCommerce Partner

We are a fully-fledged Online to Offline trading and service provider that propels brands and retailers into the Chinese virtual and bricks and mortar shelves with a unique one-stop solution

