



ASX APPENDIX 4D AND INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

eCargo Holdings Limited

ARBN 601 083 069

30 June 2020

Lodged with ASX under Listing Rule 4.3A

This interim condensed consolidated financial information covers the consolidated entity, consisting of eCargo Holdings Limited and its subsidiaries ("ECG" or the "Company"). The interim condensed consolidated financial information are presented in Hong Kong Dollars ("HK\$"), the official currency of Hong Kong, unless otherwise stated.

The report is based on financial statements which have been reviewed by the auditor.

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Details of the reporting period and the previous corresponding period

Reporting period: 1 January 2020 to 30 June 2020

Prior corresponding period: 1 January 2019 to 30 June 2019

Results for announcement to the market

Key information
(HK\$)

	Reporting Period	Prior Corresponding Period	% change
Revenue from ordinary activities	90,962,305	74,984,142	21.3%
Loss from ordinary activities after income tax attributable to members of the Company	(26,907,289)	(34,747,021)	-22.6%
Total comprehensive loss for the period attributable to members of the Company	(27,861,584)	(35,903,424)	-22.4%

Dividends

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

Interim Condensed Consolidated Statement of Comprehensive Income

Please refer to Appendix 1 - page 2.

Interim Condensed Consolidated Statement of Financial Position

Please refer to Appendix 1 - page 3.

Interim Condensed Consolidated Statement of Changes in Equity

Please refer to Appendix 1 - page 4.

Interim Condensed Consolidated Statement of Cash Flows

Please refer to Appendix 1 - page 5.

Additional dividend information

The Company has not declared any dividends.

Dividend reinvestment plan

The Company has no dividend reinvestment plan.

Net tangible asset backing

Net tangible asset backing per ordinary share at:

June 30, 2020	(HK\$15.6 cents)
June 30, 2019	(HK\$15.1 cents)

At June 30, 2020, there were 615,250,000 ordinary shares in issue, which would convert to a net asset backing of -HK\$9.4 cents per share (June 30, 2019: HK\$1.7 cents per share and there were 615,250,000 ordinary shares in issue).

Controlled entities acquired or disposed of

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

Associates and joint venture entities

During the period, ECG had equity accounted for the interest in a joint venture.

Other significant information

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

Foreign entities

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

Commentary on the operations and results

ECG generated revenue with 21.3% growth to HK\$91.0 million (2019: HK\$75.0 million).

ECG incurred net loss of HK\$26.9 million (2019: net loss of HK\$34.7 million) and a loss before interest, tax, depreciation, amortisation, share of results of a joint venture, impairment provision of goodwill and intangible assets and impact of foreign exchange ("EBITDA loss") of HK\$0.9 million (2019: EBITDA loss of HK\$7.7 million).

The growth in revenue was underpinned by FMCG business units after integration of Metcash Asia Limited and Jessica's Suitcase and the new business of the exclusive UK hair product distribution.

Statement as to the review status

The report is based on the interim condensed consolidated financial information for the six months ended June 30, 2020 of ECG, which has been reviewed by PricewaterhouseCoopers, the auditor of the Company.

eCARGO HOLDINGS LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED

30 JUNE 2020

**Report On Review of Interim Financial Information
To the Board of Directors of eCargo Holdings Limited**
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information set out on pages 3 to 22, which comprises the interim condensed consolidated statement of financial position of eCargo Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2020

eCARGO HOLDINGS LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
Revenue	7	90,962,305	74,984,142
Cost of sales	8	(63,374,433)	(46,126,714)
Gross profit		27,587,872	28,857,428
Selling and distribution expenses	8	(6,758,403)	(7,553,347)
Administrative expenses	8	(27,189,359)	(34,245,607)
Research and development expenses	8	(765,398)	(1,141,399)
Provision for impairment of trade receivables	8	(268,456)	(204,319)
Operating loss		(7,393,744)	(14,287,244)
Finance income		10,715	19,303
Finance expense		(2,447,200)	(2,491,307)
Finance expense, net		(2,436,485)	(2,472,004)
Other gain/(loss), net	9	1,629,654	(528,049)
Share of results from a joint venture	15	757,439	-
Provision for impairment of goodwill and intangible assets	14	(20,227,179)	(17,820,294)
Loss before income tax		(27,670,315)	(35,107,591)
Income tax credit	10	763,026	360,570
Loss for the period		(26,907,289)	(34,747,021)
Loss for the period is attributable to:			
Owners of the Company		(26,907,289)	(34,747,021)
Other comprehensive loss			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		(954,295)	(1,183,403)
Total comprehensive loss for the period		(27,861,584)	(35,930,424)
Total comprehensive loss for the period is attributable to:			
Owners of the Company		(27,861,584)	(35,930,424)
Loss per share for loss attributable to owners of the Company			
Basic and diluted (HK cents per share)	11	(4.37)	(5.65)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

eCARGO HOLDINGS LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2020 HK\$ (Unaudited)	As at 31 December 2019 HK\$ (Audited)
Assets			
Non-current assets			
Property, plant and equipment	13	557,675	653,763
Right-of-use assets	13	4,460,222	5,576,128
Intangible assets	14	37,652,616	63,425,070
Interests in a joint venture	15	656,794	213,554
Deferred tax assets		1,260,862	1,699,088
Deposits		388,933	397,970
Total non-current assets		44,977,102	71,965,573
Current assets			
Inventories		8,979,897	15,501,990
Trade receivables	16	28,475,306	18,867,866
Contracts assets		4,175,838	3,325,508
Prepayments, deposits and other receivables		2,715,452	4,919,047
Amounts due from related parties	21	1,471,599	3,054,309
Cash and cash equivalents		23,915,932	26,946,542
Total current assets		69,734,024	72,615,262
Total assets		114,711,126	144,580,835
Capital and reserves attributable to owners of the Company			
Share capital	17	427,820,968	427,820,968
Currency translation reserve		(3,891,088)	(2,936,793)
Accumulated losses		(482,064,316)	(455,157,027)
Total deficit		(58,134,436)	(30,272,852)
Liabilities			
Non-current liabilities			
Deferred tax liabilities		9,502,278	10,821,794
Lease liabilities		2,870,681	4,178,017
Other payables	18	815,308	763,364
Borrowing	19	87,530,575	85,603,517
Total non-current liabilities		100,718,842	101,366,692
Current liabilities			
Trade payables	18	20,333,247	22,729,634
Contract liabilities		2,668,349	2,155,757
Other payables and accruals	18	11,566,698	12,493,779
Amounts due to related parties	21	25,914,728	25,884,280
Put option liabilities		7,844,179	7,653,888
Lease liabilities		1,963,625	1,745,834
Income tax payable		1,835,894	823,823
Total current liabilities		72,126,720	73,486,995
Total liabilities		172,845,562	174,853,687
Total equity and liabilities		114,711,126	144,580,835

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

eCARGO HOLDINGS LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Share capital HK\$	Currency translation reserve HK\$	Accumulated losses HK\$	Total HK\$
Balance at 1 January 2019	427,820,968	(830,799)	(380,591,173)	46,398,996
	-----	-----	-----	-----
Loss for the period	-	-	(34,747,021)	(34,747,021)
Other comprehensive loss	-	(1,183,403)	-	(1,183,403)
	-----	-----	-----	-----
Total comprehensive loss for the period	-	(1,183,403)	(34,747,021)	(35,930,424)
	-----	-----	-----	-----
Balance at 30 June 2019 (unaudited)	427,820,968	(2,014,202)	(415,338,194)	10,468,572
	=====	=====	=====	=====
Balance at 1 January 2020	427,820,968	(2,936,793)	(455,157,027)	(30,272,852)
	-----	-----	-----	-----
Loss for the period	-	-	(26,907,289)	(26,907,289)
Other comprehensive loss	-	(954,295)	-	(954,295)
	-----	-----	-----	-----
Total comprehensive loss for the period	-	(954,295)	(26,907,289)	(27,861,584)
	-----	-----	-----	-----
Balance at 30 June 2020 (unaudited)	427,820,968	(3,891,088)	(482,064,316)	(58,134,436)
	=====	=====	=====	=====

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

eCARGO HOLDINGS LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(3,541,445)	6,161,743
Income tax refunded/(paid)	1,106,753	(2,449,739)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(2,434,692)	3,712,004
	<hr/>	<hr/>
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired (Note 20)	-	(28,662,459)
Purchase of property, plant and equipment	-	(58,878)
Interest received	10,715	19,303
Dividend from a joint venture	314,199	-
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	324,914	(28,702,034)
	<hr/>	<hr/>
Cash flow from financing activities		
Principal elements of lease payments	(947,847)	(630,093)
Interest elements of lease payments	(137,698)	(174,432)
Proceeds from borrowing	-	35,343,319
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(1,085,545)	34,538,794
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(3,195,323)	9,548,764
Cash and cash equivalents at beginning of period	26,946,542	17,614,983
Exchange gain/(loss) on cash and cash equivalents	164,713	(183,101)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	23,915,932	26,980,646
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The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

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

This interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The financial information relating to the year ended 31 December 2019 that is included in the interim condensed consolidated financial information for the six months ended 30 June 2020 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

At 30 June 2020, ECG had net current liabilities and total deficit of HK\$2,392,696 and HK\$58,134,436, respectively. The ultimate parent of ECG has confirmed its intention to provide continuing financial support to ECG so as to enable it to meet its liabilities as and when they fall due and enable it to carry on its business for the foreseeable future. Consequently, the financial statements have been prepared on a going concern basis.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period. The interim report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2019.

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 Accounting policies

A number of new or amended standards became applicable for the current reporting period. ECG did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following new and amended standards to the existing standards that have been issued but are not effective for the financial year beginning 1 January 2020 with no early adoption:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts (new standard)	1 January 2021
HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

None of these new and amended standards are expected to have a significant effect on the interim condensed consolidated financial information of ECG.

4 Estimates and judgements

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying ECG's accounting policies and the key sources of estimation uncertainty were similar to those used to prepare the consolidated financial statements for the year ended 31 December 2019.

5 Financial risk management

5.1 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.

5.2 Credit risk

At the date of the interim condensed consolidated statement of financial position, 58% (31 December 2019: 55%) of the trade receivables and contract assets 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.

5.3 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.

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 Financial risk management (Continued)

5.3 Liquidity risk (Continued)

Except for borrowing with maturity exceed 12 months, the contractual undiscounted cash flows of ECG's financial liabilities, which include trade payables, other payables and accruals and amounts due to related parties, are due within 12 months.

5.4 Foreign exchange risk

ECG mainly operates in Hong Kong, the People's Republic of China ("PRC") and Australia ("Australia"), and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"), Australian dollars ("A\$") and United States dollars ("US\$").

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 30 June 2020, if the HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax results for the period would change by approximately HK\$730,000 (30 June 2019: HK\$129,000) mainly as a result of foreign exchange losses/gains (30 June 2019: gains/losses) on translation of trade receivables, deposits and other receivables, contract assets, balances with related parties, cash and cash equivalents, trade payables and other payables and accruals denominated in the RMB.

At 30 June 2020, if the HK\$ had strengthened/weakened by 5% against the A\$ with all other variables held constant, post-tax results for the period would change by approximately HK\$161,000 (30 June 2019: HK\$124,000), mainly as a result of foreign exchange gains/losses on translation of trade receivables, deposits and other receivables, balances with related parties, cash and cash equivalents, trade payables and other payables, contract liabilities and accruals denominated in the A\$.

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

5.5 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 period, ECG's borrowing at variable rate was denominated in HK\$.

At 30 June 2020, 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 period would have been approximately HK\$437,000 (30 June 2019: HK\$400,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowing.

5.6 Fair value estimation

ECG's financial instruments include cash and cash equivalents, trade receivables, contract assets, deposits and other receivables, amounts due from related parties, trade payables, contract liabilities, other payables, accruals, 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.

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 Segment information

ECG's chief operating decision-makers (the "CODM") have determined the operating segments based on the information reviewed by 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 and Fast Moving Consumer Goods ("FMCG") 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 impact of foreign exchange) 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, depreciation of right-of-use assets, amortisation of intangible assets, finance income, finance expense, provision for impairment of trade receivables, provision for impairment of goodwill and intangible assets and, ECG's share of results from a joint venture.

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

	For the six months ended 30 June 2020			
	Greater China HK\$ (Unaudited)	Australia HK\$ (Unaudited)	Unallocated Corporate Income/ (Expense) HK\$ (Unaudited)	Consolidated HK\$ (Unaudited)
Revenue from external customers	50,897,384	38,864,921	-	89,762,305
Revenue from related companies	-	-	1,200,000	1,200,000
Total revenue	<u>50,897,384</u>	<u>38,864,921</u>	<u>1,200,000</u>	<u>90,962,305</u>
Gross profit	<u>8,761,669</u>	<u>16,426,203</u>	<u>2,400,000</u>	<u>27,587,872</u>
EBITDA (loss)/gain – excluding impact of foreign exchange	(492,131)	3,080,356	(3,539,687)	(951,462)
Net foreign exchange (loss)/gain	(2,538)	(104,525)	385,899	278,836
Depreciation of property, plant and equipment	(64,849)	(83,482)	(13,678)	(162,009)
Depreciation of right-of-use assets	(517,273)	(463,951)	-	(981,224)
Amortisation of intangible assets	-	(541,594)	(3,406,637)	(3,948,231)
Finance income	9,358	1,357	-	10,715
Finance expense	(427,417)	(92,725)	(1,927,058)	(2,447,200)
Share of profit from a joint venture	757,439	-	-	757,439
Provision for impairment of goodwill and intangible assets	-	-	(20,227,179)	(20,227,179)
(Loss)/profit before income tax	<u>(737,411)</u>	<u>1,795,436</u>	<u>(28,728,340)</u>	<u>(27,670,315)</u>
Income tax credit/(expense)	<u>1,032,750</u>	<u>(269,724)</u>	<u>-</u>	<u>763,026</u>
Loss/(profit) for the period	<u>295,339</u>	<u>1,525,712</u>	<u>(28,728,340)</u>	<u>(26,907,289)</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 Segment information (Continued)

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

For the six months ended 30 June 2019				
	Greater China	Australia	Unallocated Corporate Income/ (Expense)	Consolidated
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	31,955,235	41,828,907	1,200,000	74,984,142
Gross profit	5,980,128	21,677,300	1,200,000	28,857,428
EBITDA (loss)/gain – excluding impact of foreign exchange	(6,136,701)	3,538,519	(5,069,390)	(7,667,572)
Net foreign exchange loss	(31,783)	(276,711)	(219,555)	(528,049)
Depreciation of property, plant and equipment	(307,658)	(114,704)	(104,946)	(527,308)
Depreciation of right-of-use assets	(412,668)	(502,992)	-	(915,660)
Amortisation of intangible assets	(2,991,046)	(1,981,339)	-	(4,972,385)
Finance income	6,321	12,982	-	19,303
Finance expense	(51,716)	(122,716)	(2,316,875)	(2,491,307)
Provision for impairment of trade receivable	(204,319)	-	-	(204,319)
Provision for impairment of goodwill	-	-	(17,820,294)	(17,820,294)
(Loss)/profit before income tax	(10,129,570)	553,039	(25,531,060)	(35,107,591)
Income tax credit/(expense)	747,762	(387,192)	-	360,570
(Loss)/profit for the period	(9,381,808)	165,847	(25,531,060)	(34,747,021)

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 Segment information (Continued)

The segment assets as at 30 June 2020 and 31 December 2019 are as follows:

	Greater China HK\$ (Unaudited)	Australia HK\$ (Unaudited)	Unallocated Corporate Assets/ Liabilities HK\$ (Unaudited)	Consolidated HK\$ (Unaudited)
As at 30 June 2020				
Segment assets	44,083,825	35,423,908	35,203,393	114,711,126
Segment liabilities	(132,709,280)	(22,384,704)	(17,751,578)	(172,845,562)
As at 31 December 2019				
Segment assets	53,433,168	29,225,436	60,223,143	142,881,747
Additions to non-current assets	343,451	1,355,637	-	1,699,088
	53,776,619	30,581,073	60,223,143	144,580,835
Segment liabilities	(137,931,644)	(18,066,201)	(18,855,842)	(174,853,687)

Information about major customers

For the six months ended 30 June 2020 and 2019, there was no single external customer contributing 10% or more of ECG's total revenue.

7 Revenue

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
Revenue		
- Service income	47,277,200	53,359,588
- Sales of goods	43,685,105	21,624,554
	90,962,305	74,984,142

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 Expenses by nature

	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Outsourced services fulfilment expenses, included in cost of sales	2,892,670	4,854,550
Subscription expense for software application, included in cost of sales	22,438,718	20,151,607
Cost of inventories – included in cost of sales	38,043,045	21,120,557
Auditor's remuneration	640,000	800,000
Employee benefit expenses	24,764,929	27,420,674
Outsourced labour costs (Note 21(b))	300,000	300,000
Amortisation of intangible assets (Note 14)	3,948,231	4,972,385
Depreciation of property, plant and equipment (Note 13)	162,009	527,308
Depreciation of right-of-use assets (Note 13)	981,224	915,660
Legal and professional expenses	1,167,519	2,050,043
Travel expenses	331,533	1,496,326
Operating leases rental	615,821	1,407,150
IT expenses	225,855	359,496
Marketing expenses	369,487	555,084
Utilities and maintenance expenses	189,177	348,969
Telecommunications expenses	113,938	110,898
Insurance expenses	166,069	200,672
Provision for impairment of trade receivable	268,456	204,319
Other expenses	737,368	1,475,688
	<u>98,356,049</u>	<u>89,271,386</u>

9 Other gain/(loss), net

	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Government grant	1,350,818	-
Net foreign exchange gain/(loss)	278,836	(528,049)
	<u>1,629,654</u>	<u>(528,049)</u>

eCARGO HOLDINGS LIMITED**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****10 Income tax credit**

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2019: 16.5%). Subsidiary established in the PRC is subject to PRC corporate income tax at a rate of 25% (2019: 25%). No provision for Hong Kong profits tax and PRC corporate income tax has been made as ECG had no assessable profits for the six months ended 30 June 2020 in Hong Kong and in the PRC (For the six months ended 30 June 2019: Nil).

Subsidiaries established in Australia are subject to income tax at a rate at 30% during the period (2019: 30%).

	Six months ended 30 June	
	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
Current income tax (expense)/credit		
- Australian corporate tax	(269,724)	144,545
Deferred tax	1,032,750	216,025
Income tax credit	<u>763,026</u>	<u>360,570</u>

11 Loss per share

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 six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Loss attributable to owners of the Company (HK\$)	<u>(26,907,289)</u>	<u>(34,747,021)</u>
Weighted average number of ordinary shares in issue	<u>615,250,000</u>	<u>615,250,000</u>
Basic and diluted loss per share (HK cent)	<u>(4.37)</u>	<u>(5.65)</u>

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares during the six months ended 30 June 2020 and 2019.

12 Dividend

No dividend has been declared by the Company for the six months ended 30 June 2020 (30 June 2019: Nil).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 Property, plant and equipment and right-of-use assets

	Property, plant and equipment HK\$ (Unaudited)	Right-of-use assets HK\$ (Unaudited)
Six months ended 30 June 2020		
Net book amount		
Opening net book amount as at 1 January 2020	653,763	5,576,128
Depreciation (Note 8)	(162,009)	(981,224)
Currency translation differences	65,921	(134,682)
Closing net book amount as at 30 June 2020	<u>557,675</u>	<u>4,460,222</u>
Six months ended 30 June 2019		
Net book amount		
Opening net book amount as at 1 January 2019	1,763,902	5,547,945
Additions	58,878	987,633
Acquisition of a subsidiary	41,644	1,076,503
Depreciation (Note 8)	(527,308)	(915,660)
Currency translation differences	(15,345)	(61,709)
Closing net book amount as at 30 June 2019	<u>1,321,771</u>	<u>6,634,712</u>

14 Intangible assets

	Intangible assets HK\$ (Unaudited)
Six months ended 30 June 2020	
Net book amount	
Opening net book amount as at 1 January 2020	63,425,070
Amortisation (Note 8)	(3,948,231)
Provision for impairment of goodwill and intangible assets	(20,227,179)
Currency translation differences	(1,597,044)
Closing net book amount as at 30 June 2020	<u>37,652,616</u>
Six months ended 30 June 2019	
Net book amount	
Opening net book amount as at 1 January 2019	105,259,791
Acquisition of a subsidiary (Note 20)	21,568,337
Amortisation (Note 8)	(4,972,385)
Provision for impairment of goodwill	(17,820,294)
Currency translation differences	(737,360)
Closing net book amount as at 30 June 2019	<u>103,298,089</u>

eCARGO HOLDINGS LIMITED**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****14 Intangible assets (Continued)****Goodwill impairment**

ECG has assessed the recoverable amounts of the FMCG using value-in-use calculation. The value-in-use calculation was computed using five years projected cash flows and extrapolated using expected long-term growth rates. In light of the changes in market conditions of the CGU, the expected growth of the CGU was adjusted to reduce the five years compound annual growth rate to 6.6% and adjusted the pre-tax discount rate to 29.2% with the other key assumptions remaining consistent with previous value-in-use calculations. Such changes to the valuation resulted in an impairment loss of HK\$20,227,179 being recognised against goodwill and intangible assets during the six months ended 30 June 2020.

If the CARG of revenue for five-year period was reduced by 2%, with all other variables held constant, ECG would have had to recognise a further impairment loss of approximately HK\$4.7 million.

If the EBITDA margin for five-year period was reduced by 1%, with all other variables held constant, ECG would have had to recognise a further impairment loss of approximately HK\$5.3 million.

Management has not updated the impairment assessment of the other CGUs as it was concluded that there were no indicators of impairment as at 30 June 2020.

15 Interests in a joint venture

	As at 30 June 2020 HK\$ (Unaudited)	As at 31 December 2019 HK\$ (Audited)
<u>Interest in a joint venture</u>		
At beginning of the year	213,554	-
Investment in a joint venture (Note)	-	545
Share of results from a joint venture	757,439	477,699
Dividend received from a joint venture	(314,199)	(264,690)
	<hr/>	<hr/>
At end of the year	<u>656,794</u>	<u>213,554</u>

Note:

In September 2019, ECG established Asean Business Group Pty Ltd ("ABG") with two other independent third party shareholders in September 2019. ECG holds 33.33% equity interest in ABG. ABG is a limited liability company incorporated in Australia and is engaged in the trading of fast moving consumer goods in Vietnam and Cambodia. ECG jointly control ABG with the other shareholders as the key operating and financial decisions of ABG required unanimous consent from all the shareholders.

eCARGO HOLDINGS LIMITED**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****15 Interest a joint venture (Continued)****Summarised unaudited financial information for a joint venture**

Set out below is the summarised unaudited financial information of the joint venture as at and for the year ended 30 June 2020 which are accounted for using the equity method.

	ABG 2020 HK\$
Current assets	2,866,260
Current liabilities	895,878
Profit after income tax	2,272,317

The information above reflects the amounts presented in the financial statements of the joint venture 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 ABG.

	ABG 2020 HK\$
Net assets	
Beginning of year	640,662
Profit for the year	2,272,317
Distribution to shareholders	(942,597)
	<hr/>
End of year	1,970,382
Percentage of ownership interest	33.33%
	<hr/>
Interest in a joint venture	<u><u>656,794</u></u>

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 Trade receivables

	As at 30 June 2020 HK\$ (Unaudited)	As at 31 December 2019 HK\$ (Audited)
Trade receivables	29,057,686	19,657,405
Less: provision for impairment	(582,380)	(789,539)
Trade receivables - net	<u>28,475,306</u>	<u>18,867,866</u>

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

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

	As at 30 June 2020 HK\$ (Unaudited)	As at 31 December 2019 HK\$ (Unaudited)
1 - 30 days	24,472,696	12,532,579
31 - 60 days	2,439,206	3,039,972
61 - 90 days	528,369	110,750
Over 90 days	1,035,035	3,184,565
	<u>28,475,306</u>	<u>18,867,866</u>

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

	Six months ended 30 June 2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
At 1 January	789,539	221,800
Provision for impairment of trade receivable	268,456	204,319
Balance written off	(479,903)	-
Currency translation differences	4,288	(1,118)
At 30 June	<u>582,380</u>	<u>425,001</u>

ECG applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 Share capital

	Number of shares	Share capital HK\$
As at 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	615,250,000	427,820,968

18 Trade payables, other payables and accruals

	As at 30 June 2020 HK\$ (Unaudited)	As at 31 December 2019 HK\$ (Audited)
Trade payables	20,333,247	22,729,634
Accrued expenses	4,777,240	5,689,287
Accrued employee benefit expenses	3,066,332	3,379,819
Other payables	4,133,857	3,808,424
Contingent consideration	404,577	379,613
Other payables and accruals	12,382,006	13,257,143
Less: non-current portion		
Other payables	(815,308)	(763,364)
	11,566,698	12,493,779
	31,899,945	35,223,413

eCARGO HOLDINGS LIMITED**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****19 Borrowing**

	As at 30 June 2020 HK\$ (Unaudited)	As at 31 December 2019 HK\$ (Audited)
Loan from a shareholder (Note 21(f))	87,530,575	85,603,517

On 29 August 2016, ECG entered into an agreement with JL Enterprises Holdings Limited (“ECG Loan”), 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. As at 30 June 2020, the carrying amount of the borrowing from JL Enterprises Holdings Limited is HK\$87,530,575 (31 December 2019: HK\$85,603,517).

On 17 July 2018, Jessica’s Suitcase entered into an agreement with JL Enterprises 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 Enterprises Holdings Limited assumed at the acquisition date is A\$0.4 million (equivalent to HK\$2,386,095). ECG has settled the balance of A\$0.4 million (equivalent to HK\$2,308,579) during the year ended 31 December 2019.

The loan facility is 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 utilized 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 approximates to its fair value and is denominated in HK\$.

The borrowing bear average coupon rate of 5% per annum as at 30 June 2020 (31 December 2019: 5% - 5.125% per annum).

20 Business combination

On 25 February 2019, ECG acquired 85% interest in MES Group. Details of this business combination were disclosed in Note 30(b) of ECG’s annual financial statements for the year ended 31 December 2019.

eCARGO HOLDINGS LIMITED**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****21 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
Mr. Rupert Myer AO	Independent Non-executive Director
Mr. Heath Zarin	Independent Non-executive Director
Mr. Yuming Zou	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	Shareholder of the Company, controlled by Mr. John Lau
Cargo Services Far East Limited	Controlled by Mr. John Lau
Cargo Tiancheng Technology Limited	Controlled by Mr. John Lau
CN Logistics Limited	Controlled by Mr. John Lau
Cargo Services (China) Limited	Controlled by Mr. John Lau
EC-GO eCommerce Limited	Controlled by Mr. John Lau
深圳市一全通电子商务有限公司	Controlled by Mr. John Lau
深圳市看我商貿服務有限公司	Controlled by Mr. John Lau
Asean Business Group Pty Ltd	Joint venture

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 Related party transactions (Continued)

The following transactions were carried out with related parties:

		Six months ended 30 June	
		2020	2019
		HK\$	HK\$
		(Unaudited)	(Unaudited)
(a)	Sales of services – note (i)		
	Sales of software development services:		
	- Cargo Services Far East Limited	1,200,000	1,200,000
(b)	Purchases of services – note (i)		
	Purchase of outsourced labour services:		
	- Cargo Services Far East Limited	300,000	300,000
	Purchase of outsourced import, storage, and courier fulfillment service:		
	- Allport Cargo Services Limited	7,862	38,764
	- CS China Logistics Limited	684,329	2,607,929
	- Cargo Services (China) Limited	1,994,770	1,268,727
	- EC-GO eCommerce Limited	-	568,796
		2,686,961	4,484,216
(c)	Key management compensation – note (ii)		
	- Fees	138,375	150,000
	- Salaries, allowances and benefits-in-kind	-	-
	- Contributions to pension plan	-	-
	Total	138,375	150,000

eCARGO HOLDINGS LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 Related party transactions (Continued)

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

		As at 30 June 2020 HK\$ (Unaudited)	As at 31 December 2019 HK\$ (Audited)
(d)	Amount due from related parties – note (iii)		
	- Allport Cargo Services Limited	67,098	53,104
	- Cargo Tiancheng Technology Limited	36,670	42,492
	- 深圳市看我商貿服務有限公司	1,367,810	2,957,599
	- 深圳市一全通电子商务有限公司	21	1,114
		<u>1,471,599</u>	<u>3,054,309</u>
(e)	Amount due to related parties – note (iii)		
	- Cargo Services Far East Limited	(1,129,434)	(1,550,226)
	- Cargo Services (China) Limited	(17,610,049)	(17,144,888)
	- CN Logistics Limited	(2,089,087)	(2,089,087)
	- EC-GO eCommerce Limited	(4,413,207)	(4,421,891)
	- CS China Logistics Limited	(672,951)	(678,188)
		<u>(25,914,728)</u>	<u>(25,884,280)</u>
		Greater China HK\$	Jessica's Suitcase HK\$
(f)	Borrowing from a shareholder		Total
	At 1 January 2019	56,111,770	2,308,579
	Loan advanced during the year for acquisition of a subsidiary	35,343,319	-
	Interest paid	-	(123,068)
	Repayment	(9,882,882)	(2,251,545)
	Interest charged	4,031,310	88,865
	Currency translation differences	-	(22,831)
		<u>85,603,517</u>	<u>-</u>
	At 31 December 2019 and 1 January 2020	85,603,517	85,603,517
	Interest charged	1,927,058	-
		<u>87,530,575</u>	<u>-</u>
	At 30 June 2020	<u>87,530,575</u>	<u>87,530,575</u>

Notes:

- (i) These transactions are carried out on terms agreed with the related parties in the ordinary course of business and on commercial terms that would be available to third parties.
- (ii) Key management are deemed to be the Directors who have responsibility for planning, directing, and controlling the activities of the Company.
- (iii) Balances with related parties arise mainly from purchase transactions and are due one month after the date of purchase. The receivable balances and payable balances bear no interest and are denominated in HK\$.