



## **ASX PRELIMINARY FINAL REPORT**

**eCargo Holdings Limited**

**ARBN 601 083 069**

**December 31, 2020**

Lodged with ASX under Listing Rule 4.3A

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

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

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

Reporting period: January 1, 2020 to December 31, 2020  
 Prior corresponding period: January 1, 2019 to December 31, 2019

## Results for announcement to the market

### Key information

(HK\$)	Year ended December 31, 2020	Year ended December 31, 2019	% Change
Revenue from ordinary operations	218,453,159	177,406,615	+23%
Loss after income tax expense	(39,542,091)	(74,565,854)	-47%
Total comprehensive loss attributable to owners of the Company	(37,891,757)	(76,671,848)	-51%

### Dividends

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

## Consolidated Statement of Comprehensive Income

Please refer to Appendix 1 – page 1

## Consolidated Statement of Financial Position

Please refer to Appendix 1 – page 2

## Consolidated Statement of Changes in Equity

Please refer to Appendix 1 – page 4

## Consolidated Statement of Cash Flows

Please refer to Appendix 1 – page 5

## Additional dividend information

The Company has not declared any dividends.

## Dividend reinvestment plan

The Company has no dividend reinvestment plan.

## Net tangible asset backing

Net tangible asset backing per ordinary share at:  
 December 31, 2020 (HK\$15.3 cents)  
 December 31, 2019 (HK\$15.2 cents)

At December 31, 2020, there were 615,250,000 shares in issue, which would convert to a net asset backing of loss HK\$11.1 cents per share (December 31, 2019: HK\$4.9 cents per share).

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

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

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

During the year, 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**

The results were primarily driven by the implementation of operational efficiencies and a focus on channel management to further leverage the growing consumer demand for online retail.

Group revenue grew by 23% to HK\$218.5 million, and ECG, as a Group, achieved its first EBITDA profit of HK\$7.6 million (FY19: loss of HK\$6.7 million) since inception.

The FY20 statutory net loss of HK\$39.5 million (FY19: net loss of HK\$74.6 million) included a HK\$33.5 million impairment of goodwill and intangible assets for FMCG and Amblique, fair value gain on contingent liabilities of HK\$0.4 million, and depreciation and amortisation of HK\$8.9 million.

The FMCG business was the major driver of revenue growth in FY20, benefitting from the full year contribution of Metcash Asia, acquired in February 2019, and an acceleration of sales in Q4. This division accounted for 53% of total Group revenue (FY19: 40%) with an EBITDA loss HK\$0.1 million, a significant improvement on FY19 (FY19 EBITDA loss: HK\$11.1 million).

The FMCG online business, relating to sales of FMCG products on eCommerce platforms including Alibaba's Tmall Global and JD.com, experienced robust revenue growth, up 104% to HK\$62.5 million. Additionally, FMCG online delivered a solid positive EBITDA result of HK\$6.0 million (FY19: loss of HK\$7.0 million), underpinned by a recovery in the Metcash Asia business and Jessica's Suitcase during the second half of FY20.

The FMCG offline business also recovered strongly in H2, to be up 31% to HK\$52.8 million over the course of FY20. The growth in revenue was primarily due to the increase demand from offline retail and associated B2B distribution channels across China.

Combined with changes in Q4 to drive operating cost efficiencies, which positively impacted EBITDA results for both the online and offline FMCG businesses.

The Vietnam joint venture, ABG, sold around 1.4 million units of infant formula during the year, generating revenue of HK\$167.0 million (up 401%) and contributing HK\$1.3 million to NPAT in FY20 (FY19: contribution of HK\$478k), as a result of growing demand in the region. ECG plans to leverage this demand, as well as ABG's sourcing and distribution network to extend sales into other Asian markets in FY21.

The eCommerce-enabling Fashion & Lifestyle business experienced a recovery in H2 FY20. While revenue was impacted by the loss of a customer and lower demand from consumers due to COVID early in the year, this was offset by improvement in sales in H2 from successful sales events in November and December; as well as better cost control in Q4.

The eCommerce-enabling business also benefited from strong sales growth across China's major online platforms that directly resulted from changes in consumer behaviour seen over the year. EBITDA increased 44% over FY19 due to shift in the sales mix towards higher margin beauty and cosmetic products, with EBITDA doubling each quarter throughout the year.

Amblique revenue dropped slightly to HK\$85.2 million (FY19: HK\$85.9 million) however EBITDA improved to HK\$12.2 million (FY19: HK\$11.3 million) due to better cost control and a recovery in projects in H2, as clients made investments to benefit from the shift in consumer spending towards eCommerce. While project delays impacted H1, multiple projects resumed in H2. The long-standing reseller agreement with Salesforce Commerce Cloud concluded in January 2021 and the Company expects this to impact EBITDA by approximately HK\$11.9 million in FY21, however given the pipeline of new brands in the China FMCG and eCommerce Enabling divisions, it is anticipated this will offset the decline in Amblique.

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

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

**eCARGO HOLDINGS LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2020**

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
Revenue	6	218,453,159	177,406,615
Cost of sales	7	(149,178,094)	(114,439,781)
<b>Gross profit</b>		<b>69,275,065</b>	<b>62,966,834</b>
Selling and distribution expenses	7	(12,704,956)	(9,789,268)
Administrative expenses	7	(61,687,169)	(78,960,202)
Research and development expenses	7	(1,552,743)	(1,997,618)
Net impairment losses on financial assets and contract assets	3-1, 7	(145,683)	(573,719)
Other income	10	5,958,328	8,011,436
Other gains/(losses) – net	10	337,416	(482,938)
		(519,742)	(20,825,475)
Finance income	11	18,614	38,178
Finance expense	11	(5,240,550)	(5,342,595)
Finance expense – net	11	(5,221,936)	(5,304,417)
Share of results of a joint venture	17	1,347,000	477,699
Provision for impairment of goodwill	15	(33,511,315)	(49,276,724)
<b>Loss before income tax</b>		<b>(37,905,993)</b>	<b>(74,928,917)</b>
Income tax (expense)/credit	12	(1,636,098)	363,063
<b>Loss for the year</b>		<b>(39,542,091)</b>	<b>(74,565,854)</b>
Loss for the year is attributable to:			
Owners of the Company		(39,542,091)	(74,565,854)
Non-controlling interests		-	-
		(39,542,091)	(74,565,854)
<b>Other comprehensive income/(loss)</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		1,650,334	(2,105,994)
<b>Total comprehensive loss for the year</b>		<b>(37,891,757)</b>	<b>(76,671,848)</b>
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(37,891,757)	(76,671,848)
Non-controlling interests		-	-
		(37,891,757)	(76,671,848)
<b>Loss per share for loss attributable to owners of the Company</b>			
- Basic and diluted (HK cents per share)	13	(6.43)	(12.12)

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

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	638,925	653,763
Right-of-use assets	14(b)	5,194,936	5,576,128
Intangible assets	15	26,141,487	63,425,070
Interests in an associate and a joint venture	17	529,486	213,554
Deferred income tax assets	24	3,235,493	1,699,088
Deposits	21	435,245	397,970
		<u>36,175,572</u>	<u>71,965,573</u>
<b>Current assets</b>			
Inventories	19	6,289,302	15,501,990
Trade receivables	20	23,943,848	18,867,866
Contract assets	5	3,572,276	3,325,508
Prepayments, deposits and other receivables	21	5,333,657	4,919,047
Amounts due from related parties	29	1,568,397	3,054,309
Cash and cash equivalents	22	48,677,017	26,946,542
		<u>89,384,497</u>	<u>72,615,262</u>
<b>Total assets</b>		<u>125,560,069</u>	<u>144,580,835</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	427,820,968	427,820,968
Currency translation reserve		(1,286,459)	(2,936,793)
Accumulated losses		(494,699,118)	(455,157,027)
<b>Total deficit</b>		<u>(68,164,609)</u>	<u>(30,272,852)</u>

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	24	9,872,816	10,821,794
Lease liabilities	14(b)	3,673,784	4,178,017
Other payables	23	966,055	763,364
Borrowings	27	90,478,810	85,603,517
		<u>104,991,465</u>	<u>101,366,692</u>
<b>Current liabilities</b>			
Trade payables	23	9,173,137	22,729,634
Contract liabilities	5	2,876,799	2,155,757
Other payables and accruals	23	17,323,554	12,493,779
Amounts due to related parties	29	43,430,417	25,884,280
Put option liabilities		8,909,813	7,653,888
Lease liabilities	14(b)	2,069,644	1,745,834
Income tax payable		4,949,849	823,823
		<u>88,733,213</u>	<u>73,486,995</u>
<b>Total liabilities</b>		<u>193,724,678</u>	<u>174,853,687</u>
<b>Total deficit and liabilities</b>		<u>125,560,069</u>	<u>144,580,835</u>

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

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital HK\$	Currency translation reserve HK\$	Accumulated losses HK\$	Total equity/(deficit) HK\$
<b>Balance at 1 January 2019</b>	427,820,968	(830,799)	(380,591,173)	46,398,996
<b>Comprehensive loss</b>				
Loss for the year	-	-	(74,565,854)	(74,565,854)
<b>Other comprehensive loss</b>				
Currency translation differences	-	(2,105,994)	-	(2,105,994)
<b>Total comprehensive loss for the year</b>	-	(2,105,994)	(74,565,854)	(76,671,848)
<b>Balance at 31 December 2019</b>	427,820,968	(2,936,793)	(455,157,027)	(30,272,852)
<b>Balance at 1 January 2020</b>	427,820,968	(2,936,793)	(455,157,027)	(30,272,852)
<b>Comprehensive loss</b>				
Loss for the year	-	-	(39,542,091)	(39,542,091)
<b>Other comprehensive income</b>				
Currency translation differences	-	1,650,334	-	1,650,334
<b>Total comprehensive income/(loss) for the year</b>	-	1,650,334	(39,542,091)	(37,891,757)
<b>Balance at 31 December 2020</b>	427,820,968	(1,286,459)	(494,699,118)	(68,164,609)

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

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	24,294,175	14,944,506
Income tax paid		(506,131)	(4,154,951)
Interest paid	29(f)	-	(123,068)
		<hr/>	<hr/>
Net cash generated from operating activities		23,788,044	10,666,487
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Payment for acquisition of a subsidiary, net of cash acquired	28	-	(28,662,459)
Purchase of property, plant and equipment	14	(200,694)	(213,675)
Interest received	11	18,614	38,178
Distributions received	10	-	6,118,422
Dividend received from a joint venture	17	1,031,068	264,690
		<hr/>	<hr/>
Net cash generated from/(used in) investing activities		848,988	(22,454,844)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	29(f)	1,000,000	35,343,319
Repayment of borrowings	29(f)	-	(12,134,427)
Principal elements of lease payment	26(b)	(2,127,794)	(1,883,737)
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(1,127,794)	21,325,155
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		23,509,238	9,536,798
Cash and cash equivalents at beginning of the year		26,946,542	17,614,983
Exchange loss on cash and cash equivalents		(1,778,763)	(205,239)
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	22	48,677,017	26,946,542
		<hr/>	<hr/>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## **eCARGO HOLDINGS LIMITED**

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

#### **1 General information**

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

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.

As at 31 December 2020, the Company had net current assets of HK\$651,284 and net liabilities of HK\$68,164,609. The financial statements have been prepared on a going concern basis as the Company’s ultimate holding company, JL Enterprises Holdings Limited has agreed to provide continuing financial support to the Group to enable it to meet its financial obligations as and when they fall due.

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.

- (a) The following new and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2020, but do not have significant financial impact to ECG.

Amendments to HKFRS 3 (Revised)	Definition of a business (amendments)
Conceptual Framework for Financial Reporting 2018	Revised conceptual Framework for Financial reporting
HKAS 1 and HKAS 8	Definition of material (amendments)
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

- (b) The following new standards, amendments/revisions to standards and interpretation have been issued, but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by ECG.

		Effective for accounting periods beginning on or after
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments)	1 January 2021
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022
HKFRS 16	Covid-19-Related Rent Concessions (amendments)	1 June 2020 (Earlier application is permitted, including in financial statements – interim or annual – not authorised for issue at 4 June 2020)
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	Common control combinations that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 and should only be applied when an entity applies the Amendments to HKAS 1. The Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023, and early application is permitted.
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

ECG will apply the above HKFRS when they become effective. ECG is in the process of making an assessment of the impact of the above HKFRS.

## **eCARGO HOLDINGS LIMITED**

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

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

### **2.3 Principle of consolidation and equity accounting**

#### **2.3.1 Subsidiaries**

Subsidiaries are entities (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.

The acquisition method of accounting is used to account for business combinations by ECG (Note 2.4).

Intra-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by ECG.

#### **2.3.2 Associates**

Associates are all entities 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 (Note 2.3.4), after initially being recognised at cost.

#### **2.3.3 Joint arrangements**

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interest in joint ventures are accounted for using the equity method (Note 2.3.4), after initially being recognised at cost in the consolidated statement of financial position.

#### **2.3.4 Equity method**

Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise ECG's share of the post-acquisition profits or losses of the investee in profit or loss, and ECG's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where ECG's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, ECG does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between ECG and its associates and joint ventures are eliminated to the extent of ECG's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by ECG.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

## **eCARGO HOLDINGS LIMITED**

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

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

### **2.3 Principle of consolidation and equity accounting (Continued)**

#### **2.3.5 Changes in ownership interests**

ECG treats transactions with non-controlling interest that do not result in a loss of control as transactions with equity owners of ECG. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When ECG ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if ECG had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

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

#### **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.

## **eCARGO HOLDINGS LIMITED**

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

## **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 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.

### **2.6 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 has been identified as the executive directors of ECG that make strategic decisions.

### **2.7 Foreign currency translation**

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

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

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

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

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

## **eCARGO HOLDINGS LIMITED**

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

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

##### **2.7 Foreign currency translation (Continued)**

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

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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

##### **2.8 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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### **2.8 Property, plant and equipment (Continued)**

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 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.

##### **2.9 Intangible assets**

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

Goodwill is measured as described in Note 2.4. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

###### **(b) Brand name**

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

###### **(c) Contractual customer relationships**

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

###### **(d) Suppliers relationships**

Supplier relationships acquired in a business combination are recognised at fair value at the acquisition date. The supplier relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships of 5 to 10 years.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.9 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.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

ECG amortised intangible assets with a limited useful life using the straight-line method over the following period.

Brand name	10 years
Contractual customer relationships	5 years
Suppliers relationships	5-10 years
Software	5-10 years

### 2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.11 Investment and other financial assets

#### (i) Classification

ECG classifies its financial assets in the following measurement categories:

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

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

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

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

#### (ii) Recognition and derecognition

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

#### (iii) Measurement

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

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

#### 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.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.11 Investment and other financial assets (Continued)

#### (iii) Measurement (Continued)

##### Debt instruments (Continued)

- 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 losses - net. 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 losses - net and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

##### Equity instruments

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

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

#### (iv) Impairment

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 20 for further details.

## **eCARGO HOLDINGS LIMITED**

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

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

##### **2.12 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of First-in-First-out. 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.

##### **2.13 Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. ECG holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about ECG's accounting for trade receivables and Note 3.1 for a description of ECG's impairment policies.

##### **2.14 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### **2.15 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.

##### **2.16 Trade and other payables**

These amounts represent liabilities for goods and services provided to ECG prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

##### **2.17 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 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.

## **eCARGO HOLDINGS LIMITED**

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

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

##### **2.18 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expenses in the period in which they are incurred.

##### **2.19 Current and deferred income tax**

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

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

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### **2.19 Current and deferred income tax (Continued)**

(b) Deferred income tax (Continued)

Current and deferred tax is recognised in profit or loss, 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.

##### **2.20 Employee benefits**

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(b) Other long-term employee benefit obligation

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) Post-employment obligations

*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 further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

ECG's contributions to defined contribution plan are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

## **eCARGO HOLDINGS LIMITED**

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

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

##### **2.20 Employee benefits (Continued)**

(d) Post-employment obligations

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.

(e) 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.

##### **2.21 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.

##### **2.22 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;
- 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.

## **eCARGO HOLDINGS LIMITED**

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

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

### **2.22 Revenue recognition (Continued)**

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

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

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

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).

### **2.23 Interest income**

Interest income on financial assets at amortised cost is calculated by using the effective interest method and 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).

### **2.24 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.

## **eCARGO HOLDINGS LIMITED**

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

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

##### **2.24 Loss per share (Continued)**

###### (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.

##### **2.25 Leases**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by ECG.

Contracts may contain both lease and non-lease components. ECG allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by ECG under residual value guarantees
- the exercise price of a purchase option if ECG is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if the lease term reflects ECG exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in ECG, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, ECG, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

## **eCARGO HOLDINGS LIMITED**

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

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

### **2.25 Leases (Continued)**

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ECG is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### **2.26 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and ECG will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

## **3 Financial risk management**

ECG's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. ECG's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the ECG's financial performance.

Management regularly monitors the financial risks of ECG. The use of financial derivatives to hedge certain risk exposures is governed by ECG's policies approved by the management of ECG in order to manage those risks. ECG does not use derivative financial instruments for speculative purposes.

### **3.1 Financial risk factors**

#### **(a) Market risk**

##### **(i) 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.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.1 Financial risk factors (Continued)

###### (a) Market risk (Continued)

###### (i) Foreign exchange risk (Continued)

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 2020, if HK\$ had strengthened/weakened by 5% against the A\$ with all other variables held constant, post-tax loss for the year would have been approximately HK\$294,000 (2019: HK\$129,000) higher/lower, 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 2020, if HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax loss for the year would have been approximately HK\$413,000 (2019: HK\$338,000) higher/lower, 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 2020, 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\$65,000 (2019: HK\$56,000) lower/higher, 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\$.

###### (ii) 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 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 year would have been approximately HK\$378,000 (2019: HK\$357,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowing.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.1 Financial risk factors (Continued)

###### (b) Credit risk

###### (i) Risk management

The credit risk of ECG mainly arises from cash and cash equivalents, trade receivables and other financial assets at amortised cost (2019: same). The carrying amounts of these balances represent ECG's maximum exposure to credit risk in relation to the financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are considered financially reputable.

At the date of the consolidated statement of financial position, 51% (2019: 55%) 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.

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

ECG has the following financial assets that are subject to the expected credit loss model:

- trade receivables and contract assets
- other financial assets carried at amortised cost

While cash and cash equivalents and pledged deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

###### *Trade receivables and contract assets*

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

To measure the expected credit losses, trade receivables and contract assets have been grouped on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. ECG has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. ECG has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

*Trade receivables and contract assets (Continued)*

On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows for both trade receivables and contract assets:

<b>As at 31 December 2020</b>	<b>Lifetime expected loss rate</b>	<b>Gross carrying amount</b>	<b>Lifetime expected credit loss</b>	<b>Net carrying amount</b>
Individual assessment	100%	531,410	(531,410)	-
Collective assessment				
Current	0%-3.2%	17,897,794	(123,676)	17,774,118
Past due:				
1 to 30 days	0%-3.2%	6,836,939	(31,634)	6,805,305
31 to 60 days	0%-9.8%	1,378,489	(89,817)	1,288,672
61 to 90 days	0%-12.7%	1,259,258	(20,642)	1,238,616
Over 90 days	0%-20.1%	587,330	(177,917)	409,413
		27,959,810	(443,686)	27,516,124
<b>As at 31 December 2019</b>	<b>Lifetime expected loss rate</b>	<b>Gross carrying amount</b>	<b>Lifetime expected credit loss</b>	<b>Net carrying amount</b>
Individual assessment	100%	479,903	(479,903)	-
Collective assessment				
Current	0%-3.5%	12,583,003	(63,850)	12,519,153
Past due:				
1 to 30 days	0%-3.5%	7,103,708	(15,778)	7,087,930
31 to 60 days	0%-7.3%	1,503,108	(83,301)	1,419,807
61 to 90 days	0%-7.9%	350,955	(4,406)	346,549
Over 90 days	0%-18.4%	962,236	(142,301)	819,935
		22,503,010	(309,636)	22,193,374

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.1 Financial risk factors (Continued)

###### (b) Credit risk (Continued)

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

###### *Trade receivables and contract assets (Continued)*

The loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

	Trade receivables and contract assets	
	2020	2019
	HK\$	HK\$
<b>Opening loss allowance at 1 January</b>	789,539	221,800
Increase in loss allowance recognised in profit or loss	145,683	573,719
Currency translation differences	39,874	(5,980)
<b>Closing loss allowance at 31 December</b>	<u>975,096</u>	<u>789,539</u>

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with ECG, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

###### *Other financial assets at amortised cost*

Other financial assets at amortised cost include deposits, other receivables and amounts due from related parties. (2019: deposits and other receivables). Management monitors closely the credit qualities and the collectability of the other financial assets at amortised cost. As at 31 December 2020, there is no loss allowance in respect of individually assessed receivables (2019: Nil). The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

###### (c) 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, amounts due to related parties and lease liabilities, mature within one year from the date of consolidated statement of financial position, equal to their carrying balances as the impact of discounting is not significant.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.1 Financial risk factors (Continued)

The table below analyses ECG's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months HK\$	Between 3 months and 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	More than 5 years HK\$	Total HK\$
<b>At 31 December 2020</b>						
Trade payables	9,173,137	-	-	-	-	9,173,137
Contract liabilities	2,876,799	-	-	-	-	2,876,799
Other payables and accruals	17,323,554	-	966,055	-	-	18,289,609
Amounts due to related parties	43,430,417	-	-	-	-	43,430,417
Put option liabilities	8,909,813	-	-	-	-	8,909,813
Lease liabilities	546,726	1,522,918	1,853,426	1,820,358	-	5,743,428
Borrowings	-	-	90,478,810	-	-	90,478,810
	<u>82,260,446</u>	<u>1,522,918</u>	<u>93,298,291</u>	<u>1,820,358</u>	<u>-</u>	<u>178,902,013</u>
<b>At 31 December 2019</b>						
Trade payables	22,729,634	-	-	-	-	22,729,634
Contract liabilities	2,155,757	-	-	-	-	2,155,757
Other payables and accruals	12,493,779	-	763,364	-	-	13,257,143
Amounts due to related parties	25,884,280	-	-	-	-	25,884,280
Put option liabilities	-	7,653,888	-	-	-	7,653,888
Lease liabilities	556,103	1,449,303	1,640,269	2,840,386	-	6,486,061
Borrowings	-	-	85,603,517	-	-	85,603,517
	<u>63,819,553</u>	<u>9,103,191</u>	<u>88,007,150</u>	<u>2,840,386</u>	<u>-</u>	<u>163,770,280</u>

##### 3.2 Capital management

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

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

## **eCARGO HOLDINGS LIMITED**

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

#### **3 Financial risk management (Continued)**

##### **3.3 Fair value estimation**

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

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

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

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

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

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

- Property, plant and equipment;
- Intangible assets;
- Interest in an associate; and
- Interest in joint venture

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.

## **eCARGO HOLDINGS LIMITED**

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

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

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. Management will reassess the estimations by the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the period in which such estimate is changed.

#### **5 Segment information**

Management have determined the operating segments based on the information reviewed by the executive 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 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 gain/loss excluding impact of foreign exchange loss, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, finance income, finance expense, ECG’s share of results of an associate and a joint venture, gain on fair value of contingent liabilities and provision for impairment of goodwill.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

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

	<b>2020</b>			
	Greater China HK\$	Australia HK\$	Unallocated corporate income/ (expense) HK\$	Consolidated HK\$
<b>Revenue from external customers</b>	130,890,648	85,162,511	-	216,053,159
<b>Revenue from related companies (Note 29)</b>	-	-	2,400,000	2,400,000
	<u>130,890,648</u>	<u>85,162,511</u>	<u>2,400,000</u>	<u>218,453,159</u>
<b>Gross profit</b>	<u>24,526,972</u>	<u>42,348,093</u>	<u>2,400,000</u>	<u>69,275,065</u>
<b>EBITDA gain/(loss) – excluding impact of foreign exchange</b>	3,185,218	12,241,050	(7,828,524)	7,597,744
Net foreign exchange loss	(79,183)	(45,198)	461,797	337,416
Depreciation of property, plant and equipment	(73,488)	(169,199)	(22,245)	(264,932)
Depreciation of right-of-use assets	(1,093,649)	(967,072)	-	(2,060,721)
Amortisation of intangible assets	-	(1,128,915)	(5,413,610)	(6,542,525)
Finance income	-	2,803	15,811	18,614
Finance expense	(776,677)	(182,699)	(4,281,174)	(5,240,550)
Provision for impairment of goodwill	-	-	(33,511,315)	(33,511,315)
Share of profit of a joint venture	1,347,000	-	-	1,347,000
Gain on fair value of contingent liabilities	-	-	413,276	413,276
	<u>2,509,221</u>	<u>9,750,770</u>	<u>(50,165,984)</u>	<u>(37,905,993)</u>
Income tax credit/(expense)	145,259	(1,781,357)	-	(1,636,098)
	<u>2,654,480</u>	<u>7,969,413</u>	<u>(50,165,984)</u>	<u>(39,542,091)</u>
Profit/(loss) for the year	<u>2,654,480</u>	<u>7,969,413</u>	<u>(50,165,984)</u>	<u>(39,542,091)</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

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

	<b>2019</b>			
	Greater China HK\$	Australia HK\$	Unallocated corporate income/ (expense) HK\$	Consolidated HK\$
<b>Revenue from external customers</b>	89,113,853	85,892,762	-	175,006,615
<b>Revenue from related companies (Note 29)</b>	-	-	2,400,000	2,400,000
	<u>89,113,853</u>	<u>85,892,762</u>	<u>2,400,000</u>	<u>177,406,615</u>
<b>Gross profit</b>	<u>13,018,035</u>	<u>47,548,799</u>	<u>2,400,000</u>	<u>62,966,834</u>
<b>EBITDA (loss)/gain – excluding impact of foreign exchange</b>	(9,318,117)	11,404,655	(8,742,675)	(6,656,137)
Net foreign exchange loss	(133,710)	(153,377)	(195,851)	(482,938)
Depreciation of property, plant and equipment	(521,827)	(220,311)	(570,140)	(1,312,278)
Depreciation of right-of-use assets	(906,798)	(988,242)	-	(1,895,040)
Amortisation of intangible assets	-	(4,159,754)	(8,212,342)	(12,372,096)
Finance income	-	15,359	22,819	38,178
Finance expense	(118,637)	(229,434)	(4,994,524)	(5,342,595)
Provision for impairment of goodwill	-	-	(49,276,724)	(49,276,724)
Share of profit of a joint venture	477,699	-	-	477,699
Gain on fair value of contingent liabilities	-	-	1,893,014	1,893,014
	<u>(10,521,390)</u>	<u>5,668,896</u>	<u>(70,076,423)</u>	<u>(74,928,917)</u>
Income tax credit/(expense)	2,162,714	(1,799,651)	-	363,063
	<u>(8,358,676)</u>	<u>3,869,245</u>	<u>(70,076,423)</u>	<u>(74,565,854)</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

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

	Greater China HK\$	Australia HK\$	Unallocated Corporate Assets/ Liabilities HK\$	Consolidated HK\$
<b>As at 31 December 2020</b>				
Segment assets	57,181,940	44,306,177	20,836,459	122,324,576
Deferred income tax assets	370,535	2,864,958	-	3,235,493
	<u>57,552,475</u>	<u>47,171,135</u>	<u>20,836,459</u>	<u>125,560,069</u>
Segment liabilities	<u>(162,172,606)</u>	<u>(23,931,301)</u>	<u>(7,620,771)</u>	<u>(193,724,678)</u>
<b>As at 31 December 2019</b>				
Segment assets	53,433,168	29,225,436	60,223,143	142,881,747
Deferred income tax assets	343,451	1,355,637	-	1,699,088
	<u>53,776,619</u>	<u>30,581,073</u>	<u>60,223,143</u>	<u>144,580,835</u>
Segment liabilities	<u>(137,931,644)</u>	<u>(18,066,201)</u>	<u>(18,855,842)</u>	<u>(174,853,687)</u>

Information about major customer

For the year ended 31 December 2020, there were no single external customers contributing 10% or more of ECG's total revenue.

For the year ended 31 December 2019, there were two single external customers contributing 10% or more of ECG's total revenue.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5 Segment information (Continued)**

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

	2020 HK\$	2019 HK\$
Contract assets	<u>3,572,276</u>	<u>3,325,508</u>
Contract liabilities	<u>2,876,799</u>	<u>2,155,757</u>

*Significant changes in contract assets and liabilities*

During the year ended 31 December 2020, the balances of contract assets are similar. 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 for contract assets as at 31 December 2020 and 2019.

The balance of contract liabilities have increased due to the increase in overall contract activities in the year.

*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.

	2020 HK\$	2019 HK\$
<i>Revenue recognised that was included in the contract liability balance at the beginning of the year</i>		
Services income	<u>2,155,757</u>	<u>2,386,262</u>

**6 Revenue**

Revenue recognised during the year was as follows:

	2020 HK\$	2019 HK\$
Revenue		
- Service income	103,122,864	106,375,273
- Sales of goods	115,330,295	71,031,342
	<u>218,453,159</u>	<u>177,406,615</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****7 Expenses by nature**

	2020 HK\$	2019 HK\$
Outsourced services fulfilment expenses, included in cost of sales	5,903,066	8,551,061
Outsourced web development and IT consultation costs, included in cost of sales	193,138	-
Subscription expense for software application, included in cost of sales	42,814,417	38,343,963
Other direct costs, included in cost of sales	30,109,448	10,188,415
Cost of inventories, included in cost of sales	70,158,025	57,161,381
Written down of inventories	-	194,961
Auditor's remuneration	1,280,000	1,600,000
Employee benefit expenses (Note 8)	51,142,904	56,179,838
Outsourced labour costs (Note 29)	600,000	600,000
Amortisation of intangible assets (Note 15)	6,542,525	12,372,096
Depreciation of property, plant and equipment (Note 14)	264,932	1,312,278
Depreciation of right of use assets (Note 14(b))	2,060,721	1,895,040
Legal and professional expenses	3,524,844	4,325,054
Travel expenses	446,691	2,671,710
Operating leases rental (Note 14(b))	544,137	3,057,030
Advertising expenses	280,021	1,378,556
IT expenses	1,091,622	969,671
Marketing expenses	3,606,979	518,403
Utilities and maintenance expenses	358,503	610,993
Telecommunication expenses	247,270	289,356
Insurance expenses	317,914	358,028
Provision for impairment of trade receivables (Note 3.1)	145,683	573,719
Other expenses	3,635,805	2,609,035
	<u>225,268,645</u>	<u>205,760,588</u>

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

	2020 HK\$	2019 HK\$
Wages and salaries	45,374,431	50,583,990
Pension costs	2,283,651	2,439,770
Other employee benefits and welfare	3,484,822	3,156,078
	<u>51,142,904</u>	<u>56,179,838</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

(a) Directors' emoluments

The remuneration of each Director is set out below:

For the year ended 31 December 2020:

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 undertaking	Total
	<u>Fees</u>	<u>Salary</u>	<u>Others*</u>	<u>Employer's contribution to a retirement benefit scheme</u>	<u>Remunerations paid or receivable in respect of accepting office as Director</u>	<u>undertaking</u>	<u>HK\$</u>
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. John Lau	-	-	-	-	-	-	-
Mr. Christopher Lau	-	-	-	-	-	-	-
Mr. Rupert Myer							
AO#	96,145	-	-	-	-	-	96,145
Mr. Heath Zarin#	96,145	-	-	-	-	-	96,145
Ms. Jessica Rudd <sup>1</sup>	5,427	-	-	-	-	-	5,427
Mr. Yuming Zou# <sup>2</sup>	90,718	-	-	-	-	-	90,718
	<u>288,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,435</u>

#: Independent Non-Executive Directors

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

1: Resigned on 22 January 2020

2: Appointed on 22 January 2020

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

(a) Directors' emoluments (Continued)

For the year ended 31 December 2019:

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

	<u>Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company undertaking:</u>					<u>Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking</u>		<u>Total</u>
	<u>Fees</u>	<u>Salary</u>	<u>Others*</u>	<u>Employer's contribution to a retirement benefit scheme</u>	<u>Remunerations paid or receivable in respect of accepting office as Director</u>	<u>paid or receivable in respect of the affairs of the Company or its subsidiary undertaking</u>	<u>HK\$</u>	<u>HK\$</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Mr. John Lau	-	-	-	-	-	-	-	-
Mr. Christopher Lau	-	-	-	-	-	-	-	-
Mr. Rupert Myer								
AO#	98,249	-	-	-	-	-	-	98,249
Mr. Heath Zarin#	95,289	-	-	-	-	-	-	95,289
Ms. Jessica Rudd <sup>1</sup>	98,249	-	-	-	-	-	-	98,249
Mr. Dennis Lin <sup>2</sup>	82,188	-	-	-	-	-	-	82,188
Mr. Yuming Zou <sup>3</sup>	-	-	-	-	-	-	-	-
	<u>373,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>373,975</u>

#: Independent Non-Executive Directors

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

1: Resigned on 22 January 2020

2: Resigned on 31 October 2019

3: Appointed on 22 January 2020

(b) Directors' retirement benefits and termination benefits

None of the Directors received or will receive any retirement benefits or termination benefits during the year (2019: 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 (2019: Nil).

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****9 Benefits and interests of Directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (Continued))**

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

No loans, quasi-loans and other dealing were made in favour of Directors, controlled bodies corporate by and connected entities with such Directors at the end of the year or at any time during the year (2019: Nil).

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

Other than those disclosed in Note 29 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 income**

	2020 HK\$	2019 HK\$
Government grant	4,278,754	-
Distributions received (Note 17)	-	6,118,422
Fair value gain on contingent liabilities	413,276	1,893,014
Others	1,266,298	-
	<u>5,958,328</u>	<u>8,011,436</u>

Employment Support Scheme of HK\$458,304, Job Keeper Subsidy of HK\$1,394,097, ATO Cashflow Boost of HK\$850,649, Export Market Development grants of HK\$1,575,704 were recognised for the year ended 31 December 2020. There are no unfulfilled conditions or other contingencies attaching to these grants. ECG did not benefit directly from any other forms of government assistance.

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

	2020 HK\$	2019 HK\$
Net foreign exchange gains/(loss)	<u>337,416</u>	<u>(482,938)</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**11 Finance expense - net**

	2020 HK\$	2019 HK\$
Finance income:		
- Interest income on short-term bank deposits	18,614	38,178
	-----	-----
Finance expense:		
- Interest and finance charge paid/payable for lease liabilities (Note 14(b))	(305,403)	(341,549)
- Interest expense on borrowings	(4,418,652)	(4,120,175)
- Interest expense on put option liabilities and contingent consideration	(516,495)	(880,871)
	-----	-----
	(5,240,550)	(5,342,595)
	-----	-----
Finance expense - net	(5,221,936)	(5,304,417)
	=====	=====

**12 Income tax expense/(credit)**

	2020 HK\$	2019 HK\$
Australian corporate tax		
- Current income tax	4,632,157	1,861,408
Deferred income tax (Note 24)	(2,996,059)	(2,224,471)
	-----	-----
Income tax expense/(credit)	1,636,098	(363,063)
	=====	=====

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2019:16.5%). For the year ended 31 December 2020, 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 (2019: HK\$165,000). No provision for Hong Kong profits tax has been made as ECG had sufficient tax losses brought forward to offset against the estimated assessable profit for the year ended 31 December 2020. No provision for Hong Kong profits tax has been made as no assessable profit for the year ended 31 December 2019 in Hong Kong.

Subsidiaries established in Australia and the PRC are subject to 30% (2019: 30%) and 25% (2019: 25%) income tax rate during the year respectively.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12 Income tax expense/(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.

	2020 HK\$	2019 HK\$
Loss before income tax	(37,905,993)	(74,928,917)
Tax calculated at a domestic tax rates applicable in the respective countries	(6,316,604)	(14,512,016)
Tax effect of:		
- Joint venture's results reported net of tax	(222,255)	(78,820)
- Income not subject to tax	(827,753)	(1,321,887)
- Expenses not deductible for tax purposes	5,770,546	9,138,579
- Tax losses for which no deferred income tax assets were recognised	3,637,497	6,411,081
- Utilisation of previously unrecognised tax loss	(405,333)	-
Income tax expense/(credit)	<u>1,636,098</u>	<u>(363,063)</u>

**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.

	2020 HK\$	2019 HK\$
Loss attributable to owners of the Company	39,542,091	74,565,854
Weighted average number of ordinary shares in issue	615,250,000	615,250,000
Basic loss per share (HK\$ cents per share)	<u>6.43</u>	<u>12.12</u>

(b) Diluted

Diluted loss per share for the year is equal to the basic loss per share as there are no potential dilutive ordinary shares outstanding during the year (2019: same).

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**14 Property, plant and equipment**

	Furniture and fixtures HK\$	Computer equipment HK\$	Office equipment HK\$	Leasehold improvement HK\$	Total HK\$
As at 1 January 2019					
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	<u>352,791</u>	<u>392,890</u>	<u>80,038</u>	<u>938,183</u>	<u>1,763,902</u>
Year ended 31 December 2019					
Opening net book amount	352,791	392,890	80,038	938,183	1,763,902
Acquisition of a subsidiary (Note 28)	11,881	12,756	17,007	-	41,644
Additions	6,539	109,994	-	97,142	213,675
Depreciation charge (Note 7)	(56,096)	(247,506)	(91,782)	(916,894)	(1,312,278)
Currency translation differences	(2,897)	(6,569)	6,437	(50,151)	(53,180)
Closing net book amount	<u>312,218</u>	<u>261,565</u>	<u>11,700</u>	<u>68,280</u>	<u>653,763</u>
As at 31 December 2019					
Cost	693,528	2,528,772	1,230,429	4,564,923	9,017,652
Accumulated depreciation and impairment	(381,310)	(2,267,207)	(1,218,729)	(4,496,643)	(8,363,889)
Net book amount	<u>312,218</u>	<u>261,565</u>	<u>11,700</u>	<u>68,280</u>	<u>653,763</u>
Year ended 31 December 2020					
Opening net book amount	312,218	261,565	11,700	68,280	653,763
Additions	25,464	175,230	-	-	200,694
Depreciation charge (Note 7)	(46,536)	(142,480)	(10,254)	(65,662)	(264,932)
Currency translation differences	26,786	22,179	108	327	49,400
Closing net book amount	<u>317,932</u>	<u>316,494</u>	<u>1,554</u>	<u>2,945</u>	<u>638,925</u>
As at 31 December 2020					
Cost	765,989	2,852,402	1,278,555	4,775,000	9,671,946
Accumulated depreciation and impairment	(448,057)	(2,535,908)	(1,277,001)	(4,772,055)	(9,033,021)
Net book amount	<u>317,932</u>	<u>316,494</u>	<u>1,554</u>	<u>2,945</u>	<u>638,925</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**14(b) Leases**

This note provides information for leases where ECG is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 HK\$	2019 HK\$
<b>Right-of-use assets</b>		
Buildings	5,194,936	5,576,128
	<u>5,194,936</u>	<u>5,576,128</u>
<b>Lease liabilities</b>		
Current	2,069,644	1,745,834
Non-current	3,673,784	4,178,017
	<u>3,673,784</u>	<u>4,178,017</u>
	<u>5,743,428</u>	<u>5,923,851</u>

There is HK\$1,272,298 additions to the right-of-use assets during the 2020 financial year (2019: HK\$1,201,309).

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income show the following amounts relating to leases:

	Note	2020 HK\$	2019 HK\$
<b>Depreciation charge of right-of-use assets</b>			
Buildings	7	2,060,721	1,895,040
		<u>2,060,721</u>	<u>1,895,040</u>
Interest expense (included in finance cost)	11	305,403	341,549
Expenses relating to short-term leases (included in administrative expenses)	7	544,137	3,057,030
		<u>544,137</u>	<u>3,057,030</u>
		<u>849,540</u>	<u>3,398,579</u>

The total cash outflow for leases in 2020 was HK\$2,127,794 (2019: HK\$1,883,737).

(iii) ECG's leasing activities and how these are accounted for

ECG leases various offices and warehouses. Rental contracts are typically made for fixed periods of 12 months to 3 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**14(b) Leases (Continued)**

(iv) Extension and termination options

Extension and termination options are included in a number of property leases across ECG. These are used to maximise operational flexibility in terms of managing the assets used in ECGs operations. The majority of extension and termination options held are exercisable only by ECG and not by the respective lessor.

**15 Intangible assets**

	Goodwill HK\$	Contractual customer relationships HK\$	Suppliers relationships HK\$	Brand name HK\$	Software HK\$	Total HK\$
As at 1 January 2019						
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 2019						
Opening net book amount	56,241,091	1,448,446	16,447,883	24,436,020	6,686,351	105,259,791
Acquisition of a subsidiary (Note 28)	12,728,104	-	8,840,233	-	-	21,568,337
Amortisation charge (Note 7)	-	(1,325,273)	(4,093,137)	(2,793,932)	(4,159,754)	(12,372,096)
Impairment	(49,276,724)	-	-	-	-	(49,276,724)
Currency translation differences	(1,116,946)	(12,849)	(325,934)	(237,160)	(61,349)	(1,754,238)
Closing net book value	18,575,525	110,324	20,869,045	21,404,928	2,465,248	63,425,070
As at 31 December 2019						
Cost	67,800,865	6,619,456	25,523,158	27,910,185	112,244,432	240,098,096
Accumulated amortisation and impairment	(49,225,340)	(6,509,132)	(4,654,113)	(6,505,257)	(109,779,184)	(176,673,026)
Net book value	18,575,525	110,324	20,869,045	21,404,928	2,465,248	63,425,070
Year ended 31 December 2020						
Opening net book amount	18,575,525	110,324	20,869,045	21,404,928	2,465,248	63,425,070
Amortisation charge (Note 7)	-	(108,072)	(2,571,457)	(2,734,082)	(1,128,914)	(6,542,525)
Impairment	(19,567,211)	-	(13,944,104)	-	-	(33,511,315)
Currency translation differences	991,686	(2,252)	(5,104)	1,686,475	99,452	2,770,257
Closing net book value	-	-	4,348,380	20,357,321	1,435,786	26,141,487
As at 31 December 2020						
Cost	74,151,213	7,239,446	27,913,700	30,524,302	112,922,959	252,751,620
Accumulated amortisation and impairment	(74,151,213)	(7,239,446)	(23,565,320)	(10,166,981)	(111,487,173)	(226,610,133)
Net book value	-	-	4,348,380	20,357,321	1,435,786	26,141,487

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 15 Intangible assets (Continued)

Notes:

(a) Goodwill of cash generating unit (“CGU”)

Goodwill is attributable to the Australia CGU and FMCG CGU. The recoverable amount of Australia CGU and FMCG CGU are determined based on value in use calculation. The calculation uses pre-tax cash flow projections based on financial budget approved by management. 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.

(i) Australia CGU

The key assumptions used for value in use calculation in 2020 and 2019 for Australia CGU is as follows:

	2020	2019
Compound annual growth rate (“CAGR”) of revenue for the five-year period	-5.4%	3.5%
Terminal growth rate	0.9%	3%
Pre-tax discount rate	28.4%	32.0%
EBITDA margin	Between 7.3% - 8.6%	Between 8% - 11%

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.

An impairment loss of HK\$13,284,136 was recognised for the goodwill of Australia CGU, reducing the carrying amount of the goodwill to nil as at 31 December 2020.

There was no indication of impairment arising from the review on goodwill as at 31 December 2019 as the recoverable amount calculated based on value in use exceeded carrying value.

(ii) FMCG CGU

Following the acquisition of Metcash Export Services Pty Limited (“MES”) and its subsidiary, Metcash Asia Limited (“MAL”) (collectively, the “MES Group”) as disclosed in Note 28, ECG has been combining certain resources of Jessica’s Suitcase (“JS”) and MES Group to leverage their respective strengths and resources. ECG integrated the operations of JS and MES Group where they will be considered as a single cash generating unit (“CGU”) going forward. Accordingly, ECG has recalculated the recoverable amount of the goodwill and intangible assets of JS on a standalone basis prior to the combination of the CGUs based on a value-in-use calculation. An impairment loss of HK\$17,506,013 was recognised for the goodwill of JS, reducing the carrying amount of the goodwill of JS to approximately HK\$26,000,000.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 15 Intangible assets (Continued)

##### (a) Goodwill of cash generating unit ("CGU") (Continued)

##### (ii) FMCG CGU (Continued)

The recoverable amount of FMCG was determined based on a value-in-use calculation. The following table sets out the key assumptions for FMCG where the value-in-use calculation is as follows:

	2020	2019
CAGR of revenue for the five-year period	5.2%	15.7%
Terminal growth rate	2%	2%
Pre-tax discount rate	28.7%	29.2%
EBITDA margin	Between 4.6% - 6.8%	Between 5% - 11%

An impairment loss of HK\$31,770,711 was recognised for the goodwill of FMCG CGU, reducing the carrying amount of the goodwill to approximately HK\$6,429,052 as at 31 December 2019.

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 5.24% and adjusted the pre-tax discount rate to 28.7% with the other key assumptions remaining consistent with previous value-in-use calculations. Therefore, such changes to the valuation resulted in an impairment loss of HK\$20,227,179 being recognised against goodwill and intangible assets had been made in interim 2020.

As at 31 December 2020, management has concluded that there is no indicator for further impairment in respect of the assets of FMCG.

If the EBITDA margin was reduced by 2% with all other variables held constant, ECG would have had to recognise an impairment loss approximately of HK\$11,600,000.

If the CAGR of revenue for the five-year period was reduced by 2% with all other variables held constant, ECG would have had to recognise an impairment loss approximately of HK\$9,000,000.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****15 Intangible assets (Continued)****(b) Impairment tests for intangible assets of CGUs**

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

	2020 HK\$	2019 HK\$
Australia CGU (Note i)		
- Contractual customer relationships	-	110,324
- Brand name	3,869,240	4,404,292
- Software	1,435,786	2,465,248
	<u>5,305,026</u>	<u>6,979,864</u>
FMCG CGU (Note ii)		
- Suppliers relationships	4,348,380	20,869,045
- Brand name	16,488,081	17,000,637
	<u>20,836,461</u>	<u>37,869,682</u>

**(i) Australia CGU**

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

**(ii) FMCG CGU**

Impairment loss of HK\$13,944,104 has recognised for the year ended of 31 December 2020 with the key assumption mentioned above.

Amortisation expense of HK\$6,542,525 (2019: HK\$12,372,096) has been charged to administrative expenses.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 16 Subsidiaries

As at 31 December 2020, the Company has direct and indirect interests in the following subsidiaries:

<u>Name</u>	Place of incorporation/ establishment and kind of <u>legal entity</u>	Principal activities and <u>place of operation</u>	Equity interest held by the Company <u>directly</u>	Equity interest held by the Company <u>indirectly</u>	Particulars of issued share capital/registered <u>capital</u>
eCargo Enterprise Limited	Hong Kong, limited liability	Provision of eCommerce technologies services in Hong Kong	100%	-	HK\$10,000 ordinary share capital
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 each
ECG Asia Limited	BVI, limited liability	Investment holdings in BVI	100%	-	50,000 ordinary shares of US\$1 each
ECG Australia Pty Limited	Australia, limited liability	Provision of corporate services	100%	-	1,000 ordinary shares of A\$1 each
Enrich Technologies Limited	BVI, limited liability	Dormant	100%	-	1 ordinary share of US\$1 each
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
Amblique Pty Limited	Australia, limited liability	Provision of eCommerce solutions services in Australia	-	100%	134,410 ordinary shares of A\$1 each

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 16 Subsidiaries (Continued)

As at 31 December 2020, the Company has direct and indirect interests in the following subsidiaries:  
(Continued)

<u>Name</u>	Place of incorporation/ establishment and kind of <u>legal entity</u>	Principal activities and place of <u>operation</u>	Equity interest held by the Company <u>directly</u>	Equity interest held by the Company <u>indirectly</u>	Particulars of issued share capital/registered <u>capital</u>
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
Metcash Export Services Pty Limited	Australia, limited liability	Operate an online store and trading of FMCG	-	85% (note)	100 ordinary shares of A\$1 each
Metcash Asia Limited	The PRC, limited liability	Provision of eCommerce support and marketing services in PRC	-	85% (note)	RMB 9,000,000 registered share capital
Enrich Technologies (HK) Limited	Hong Kong, limited liability	Dormant	-	100%	HK\$1,000 ordinary share capital
eCargo Trading Limited	United Kingdom, limited liability	Dormant	-	100%	2 ordinary share of GBP1 each

#### Note

ECG acquired 85% interest in Metcash Export Services Pty Limited and Metcash Asia Limited. Management concluded that ECG has effectively control the remaining 15% equity interest of MES Group. As such, ECG has not recognised any non-controlling interest in respect of the remaining 15% equity interest legally held by MES and accounted for MES Group as 100% owned. For details, please refer to Note 28.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**17 Interests in an associate and a joint venture**

	2020 HK\$	2019 HK\$
<b><u>Interest in an associate</u></b>		
Beginning of the year	-	-
Share of results from an associate	-	-
	<hr/>	<hr/>
End of the year (Note a)	-	-
	<hr/> <hr/>	<hr/> <hr/>
<b><u>Interest in a joint venture</u></b>		
Beginning of the year	213,554	-
Investment in a joint venture (Note b)	-	545
Share of results from a joint venture	1,347,000	477,699
Dividend received from a joint venture	(1,031,068)	(264,690)
	<hr/>	<hr/>
End of the year	529,486	213,554
	<hr/> <hr/>	<hr/> <hr/>
Interests in an associate and a joint venture	529,486	213,554
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) 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 2019, WWE wound up and distributed all of the residual assets to shareholder and ECG received cash of HK\$6,118,422 as a result (Note 10).

- (b) 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 CONSOLIDATED FINANCIAL STATEMENTS****17 Interests in an associate and 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 31 December 2020 and 2019 which are accounted for using the equity method.

	ABG 2020 HK\$	ABG 2019 HK\$
Current assets	8,525,734	3,645,019
Current liabilities	6,937,117	3,005,993
Profit after income tax	4,041,004	1,458,437

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\$	ABG 2019 HK\$
<b>Net assets</b>		
Beginning of the year	640,662	-
Profit for the year	4,041,004	1,458,437
Distribution to shareholders	(3,093,207)	(817,890)
Currency translation difference	158	115
End of the year	1,588,617	640,662
Percentage of ownership interest	33.33%	33.33%
Interest in a joint venture	529,486	213,554

**Individually immaterial associates**

In addition to the interests in a joint venture disclosed above, ECG also has interests in an associate that are individually immaterial.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**18 Financial instruments by category**

**ECG holds the following instruments:**

	2020 HK\$	2019 HK\$
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding prepayments)	27,308,889	22,778,328
Contract assets	3,572,276	3,325,508
Amounts due from related parties	1,568,397	3,054,309
Cash and cash equivalents	48,677,017	26,946,542
	<u>81,126,579</u>	<u>56,104,687</u>
<b>Financial liabilities</b>		
<b>Liabilities at amortised cost</b>		
Trade and other payables (excluding non-financial liabilities)	21,629,145	29,889,344
Contract liabilities	2,876,799	2,155,757
Amounts due to related parties	43,430,417	25,884,280
Borrowings	90,478,810	85,603,517
Put option liabilities	8,909,813	7,653,888
Lease liabilities	5,743,428	5,923,851
	<u>173,068,412</u>	<u>157,110,637</u>

**19 Inventories**

	2020 HK\$	2019 HK\$
Finished goods	<u>6,289,302</u>	<u>15,501,990</u>

The cost of inventories recognised as an expense and included in “cost of sales” amounted to HK\$70,158,025 (2019: HK\$57,161,381).

There is no written down of inventories to net realisable value during the year ended 31 December 2020 (2019: HK\$194,961). These were recognised as an expense and included in “cost of sales” in the consolidated statement of comprehensive income.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****20 Trade receivables**

	2020 HK\$	2019 HK\$
Trade receivables	24,918,944	19,657,405
Less: provision for impairment	(975,096)	(789,539)
	<u>23,943,848</u>	<u>18,867,866</u>

The Directors considered 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:

	2020 HK\$	2019 HK\$
1 – 30 days	15,636,993	12,532,579
31 – 60 days	3,056,485	3,039,972
61 – 90 days	340,087	110,750
Over 90 days	4,910,283	3,184,565
	<u>23,943,848</u>	<u>18,867,866</u>

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

The loss allowance increased by a further HK\$145,683 to HK\$975,096 for trade receivables during the current reporting period. 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.

Information about the impairment of trade receivables, ECG's exposure to credit risk and foreign currency risk and details about the calculation of the allowance can be found in Note 3.1.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****20 Trade receivables (Continued)**

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

	2020 HK\$	2019 HK\$
HK\$	1,178,280	357,459
RMB	4,577,934	6,371,627
A\$	16,276,178	9,457,283
NZ\$	1,562,236	2,380,308
Others	349,220	301,189
	<u>23,943,848</u>	<u>18,867,866</u>

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

**21 Prepayments, deposits and other receivables**

	2020 HK\$	2019 HK\$
Prepayments	1,968,616	1,406,555
Rental and utilities deposits	1,820,932	1,885,248
Other receivables	1,979,354	2,025,214
	<u>5,768,902</u>	<u>5,317,017</u>
Less: non-current portion		
Deposits	(435,245)	(397,970)
	<u>5,333,657</u>	<u>4,919,047</u>

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 2020 and 2019. 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:

	2020 HK\$	2019 HK\$
HK\$	393,644	422,375
RMB	438,987	650,054
A\$	2,967,655	2,838,033
	<u>3,800,286</u>	<u>3,910,462</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****22 Cash and cash equivalents**

Cash and cash equivalents are denominated in the following currencies:

	2020 HK\$	2019 HK\$
Cash on hand		
HK\$	225,824	63,204
RMB	-	21,704
	<u>225,824</u>	<u>84,908</u>
	-----	-----
Cash at banks		
HK\$	376,885	536,162
RMB	4,649,713	4,058,192
A\$	31,981,461	22,112,826
US\$	11,323,796	41,618
Others	119,338	112,836
	<u>48,451,193</u>	<u>26,861,634</u>
	-----	-----
Total	<u><u>48,677,017</u></u>	<u><u>26,946,542</u></u>

As at 31 December 2020, the amount of cash at banks represented ECG's maximum exposure to credit risk.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**23 Trade payables, other payables and accruals**

	2020 HK\$	2019 HK\$
Trade payables	9,173,137	22,729,634
Accrued expenses	8,681,928	5,689,287
Accrued employee benefit expenses	5,833,601	3,379,819
Other payables	3,774,080	3,808,424
Contingent consideration	-	379,613
Other payables and accruals	18,289,609	13,257,143
Less: non-current portion Other payables	(966,055)	(763,364)
	17,323,554	12,493,779
	26,496,691	35,223,413

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

	2020 HK\$	2019 HK\$
HK\$	2,997,650	2,602,807
RMB	5,037,857	2,630,903
A\$	19,292,113	27,695,178
NZ\$	-	1,029,391
US\$	131,461	1,285,308
Others	3,665	743,190
	27,462,746	35,986,777

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**24 Deferred income tax**

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

	2020 HK\$	2019 HK\$
At 1 January	(9,122,706)	(9,614,873)
Acquisition of a subsidiary (Note 28)	-	(1,851,894)
Credited to the consolidated statement of comprehensive income (Note 12)	2,996,059	2,224,471
Currency translation differences	(510,676)	119,590
	<u>                    </u>	<u>                    </u>
At 31 December	<u><u>(6,637,323)</u></u>	<u><u>(9,122,706)</u></u>

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:

	2020 HK\$	2019 HK\$
<b>Deferred income tax assets</b>		
At 1 January	1,699,088	1,306,784
Acquisition of a subsidiary (Note 28)	-	358,164
Credited to the consolidated statement of comprehensive income	1,238,172	61,756
Currency translation differences	298,233	(27,616)
	<u>                    </u>	<u>                    </u>
At 31 December	<u><u>3,235,493</u></u>	<u><u>1,699,088</u></u>
<b>Deferred income tax liabilities</b>		
At 1 January	(10,821,794)	(10,921,657)
Acquisition of a subsidiary (Note 28)	-	(2,210,058)
Credited to the consolidated statement of comprehensive income	1,757,887	2,162,715
Currency translation differences	(808,909)	147,206
	<u>                    </u>	<u>                    </u>
At 31 December	<u><u>(9,872,816)</u></u>	<u><u>(10,821,794)</u></u>

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. ECG did not recognise deferred income tax assets in respect of estimated tax losses amounting to HK\$149,944,522 (2019: HK\$151,063,846) arising in Hong Kong, HK\$4,166,482 (2019: HK\$4,901,965) arising in Australia and HK\$38,907,407 (2019: HK\$24,357,419) arising in the PRC. The tax losses arising in Hong Kong and Australia can be carried forward indefinitely and the tax losses arising in the PRC will expire in five years.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**25 Share capital**

	Number of shares	Share capital HK\$
As at 1 January 2019, 31 December 2019 and 31 December 2020	615,250,000	427,820,968

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

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

	2020 HK\$	2019 HK\$
Loss before income tax	(37,905,993)	(74,928,917)
Adjustments for:		
- Depreciation of property, plant and equipment (Note 14)	264,932	1,312,278
- Depreciation of right-of-use assets (Note 14(b))	2,060,721	1,895,040
- Amortisation of intangible assets (Note 15)	6,542,525	12,372,096
- Net foreign exchange (gain)/loss (Note 10)	(337,416)	482,938
- Provision for impairment of trade receivables (Note 3.1)	145,683	573,719
- Finance income (Note 11)	(18,614)	(38,178)
- Finance expense (Note 11)	5,240,550	5,342,595
- Share of results of a joint venture (Note 17)	(1,347,000)	(477,699)
- Provision for impairment for goodwill (Note 15)	33,511,315	49,276,724
- Distributions received (Note 10)	-	(6,118,422)
- Fair value gain on contingent liabilities (Note 10)	(413,276)	(1,893,014)
- Written down of inventories (Note 19)	-	194,961
	<u>7,743,427</u>	<u>(12,005,879)</u>
Changes in working capital:		
- Inventories	9,626,986	4,032,810
- Trade receivables	(3,247,751)	6,323,069
- Contract assets	23,311	394,882
- Prepayments, deposits and other receivables	48,149	1,488,010
- Trade payables	(13,099,789)	11,701,409
- Contract liabilities	464,987	(209,943)
- Other payables and accruals	5,412,081	(7,999,834)
- Balances with related parties	17,322,774	11,219,982
	<u>24,294,175</u>	<u>14,944,506</u>
Cash generate from operations	<u>24,294,175</u>	<u>14,944,506</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**26 Notes to the consolidated statement of cash flows (Continued)**

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2020 HK\$	2019 HK\$		
<b>Net debt</b>				
Cash and cash equivalents	48,677,017	26,946,542		
Borrowings	(90,478,810)	(85,603,517)		
Lease liabilities	(5,743,428)	(5,923,851)		
Net debt	<u>(47,545,221)</u>	<u>(64,580,826)</u>		
Cash and cash equivalents	48,677,017	26,946,542		
Gross debt – fixed interest rates	(96,222,238)	(91,527,368)		
	<u>(47,545,221)</u>	<u>(64,580,826)</u>		
	Borrowings HK\$	Leases liabilities HK\$	Cash and cash equivalents HK\$	Total HK\$
<b>Net debt as at 1 January 2019</b>	(58,420,349)	-	17,614,983	(40,805,366)
Recognised on adoption of HKFRS 16	-	(5,547,945)	-	(5,547,945)
	<u>(58,420,349)</u>	<u>(5,547,945)</u>	<u>17,614,983</u>	<u>(46,353,311)</u>
Cash flows	(23,085,824)	1,883,737	9,331,559	(11,870,528)
Acquisition of a subsidiary	-	(1,076,503)	-	(1,076,503)
Acquisition – leases	-	(987,633)	-	(987,633)
Other changes	(4,120,175)	(341,549)	-	(4,461,724)
Foreign exchange adjustments	22,831	146,042	-	168,873
<b>Net debt as at 31 December 2019</b>	<u>(85,603,517)</u>	<u>(5,923,851)</u>	<u>26,946,542</u>	<u>(64,580,826)</u>
Cash flows	(1,000,000)	2,127,794	21,730,475	22,858,269
Acquisition - lease	-	(1,272,298)	-	(1,272,298)
Other changes	(3,875,293)	(305,403)	-	(4,180,696)
Foreign exchange adjustments	-	(369,670)	-	(369,670)
<b>Net debt as at 31 December 2020</b>	<u>(90,478,810)</u>	<u>(5,743,428)</u>	<u>48,677,017</u>	<u>(47,545,221)</u>

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 27 Borrowings

	2020 HK\$	2019 HK\$
Loans from a shareholder	90,478,810	85,603,517

On 29 August 2016, ECG entered into an agreement 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 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 29). As at 31 December 2020, the carrying amount of the borrowing from JL Enterprises Holdings Limited is HK\$90,478,810 (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 approximately HK\$2,308,579) during the year ended 31 December 2019.

All loan facilities are unsecured and bear interest at prime rate quoted from the Hong Kong and Shanghai Banking Corporation Limited from time to time. All 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 borrowings approximates to its fair value and is denominated in HK\$.

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

#### 28 Business combination

##### Acquisition of Metcash Export Services Pty Limited

On 25 February 2019, ECG acquired 85% interest in MES Group. MES Group is principally engaged in the provision of China export business in Australia. The acquisition allows ECG to create a one-stop offering for businesses intent on capturing the attention of China's growing consumer market.

In connection with the acquisition, a call option to purchase and a put option to sell the remaining 15% equity interest in MES Group were granted to ECG and Metcash respectively. ECG may exercise the call option at any time from the adjustment date (being five business days after the completion accounts is finally agreed) up to the date that is 18 months after the completion date, while Metcash may exercise the put option at any time on and from the date that is 18 months after the completion date.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 28 Business combination (Continued)

##### Acquisition of Metcash Export Services Pty Limited (Continued)

Management has considered the terms of the aforementioned call-put option arrangement and concluded that such arrangement has effectively transferred the risks and rewards of the remaining 15% equity interest of MES Group to ECG. As such, ECG has not recognised any non-controlling interest in respect of the remaining 15% equity interest legally held by Metcash and accounted for MES Group as 100% owned as at 31 December 2019. The put option is treated as a liability for the acquisition of MES Group and was recognised as a financial liability in the statement of financial position at the present value of the amount payable by ECG when the option is exercised.

The goodwill arising from the acquisition related to the 100% equity interest. At the date of acquisition, MES Group was accounted for as a wholly-owned subsidiary of ECG and the results, assets and liabilities of MES Group were consolidated in the consolidated financial information of ECG.

The following tables summarises the consideration for the acquisition and the fair value of the assets acquired and liabilities assumed at the acquisition date based on the purchase price allocation:

	HK\$
<b>Purchase consideration</b>	
Cash paid	38,039,719
Deferred consideration	2,021,742
Put option liability	7,194,821
	<hr/>
Total purchase consideration	47,256,282
	<hr/> <hr/>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	2,416,885
Property, plant and equipment	41,644
Right-of-use assets	1,076,503
Trade and other receivable	11,141,067
Inventories	18,662,350
Intangible asset – supplier relationships	8,840,233
Other payable	(4,722,107)
Lease liabilities	(1,076,503)
Deferred tax assets	358,164
Deferred tax liabilities	(2,210,058)
	<hr/>
Total identifiable net assets	34,528,178
Goodwill	12,728,104
	<hr/> <hr/>
	47,256,282

Acquisition related costs of approximately HK\$837,976 have been charged to administrative expenses in the interim condensed consolidated statement of comprehensive income for the year ended 31 December 2019.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**28 Business combination (Continued)**

**Acquisition of Metcash Export Services Pty Limited (Continued)**

Outflow of cash to acquire business, net of cash

	HK\$
Cash consideration paid in February 2019	(38,039,719)
Cash and cash equivalent of subsidiary acquired	2,416,885
Prepayment made in November 2018	6,960,375
	<u>(28,662,459)</u>

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

The contingent consideration arrangement requires ECG to pay the former owners of MES Group 35% of the net profit after tax by annual instalment up to a maximum undiscounted amount of A\$3.5 million. This will be terminated upon the exercise of call-put option arrangement.

The potential undiscounted amount of all future payments that ECG could be required to make under this arrangement is between A\$0 and A\$3.5 million. The fair value of the contingent consideration arrangement has been estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 20.2%.

The fair value of trade and other receivables is HK\$11,141,067 and includes trade receivables with a fair value of HK\$7,483,852. No trade receivables due is expected to be uncollectible.

The acquired business contributed revenue of HK\$17,628,130 and loss before income tax of HK\$4,854,950 to ECG for the period between the date of acquisition and end of the reporting period.

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 29 Related party transactions

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

<b>Name of related party</b>	<b>Relationship with ECG</b>
Mr. John Lau	Executive Director/Executive Chairman
Mr. Christopher Lau	Non-Independent Non-executive Director
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
CS Logistics Solutions Pty Limited	Controlled by Mr. John Lau
CN Logistics Limited	Controlled by Mr. John Lau
CN Logistics (Shanghai) Limited	Controlled by Mr. John Lau
Cargo Services (China) Limited	Controlled by Mr. John Lau
CS Packing (Hong Kong) Limited	Controlled by Mr. John Lau
EC-GO eCommerce Limited	Controlled by Mr. John Lau
深圳市一全通电子商务有限公司	Controlled by Mr. John Lau
深圳市看我商貿服務有限公司	Controlled by Mr. John Lau
深圳嘉宏互联有限公司	Controlled by Mr. John Lau
ECG Digital Commerce Limited	Controlled by Mr. John Lau
Dreamtown International Ltd	Controlled by Mr. John Lau
广州市嘉泓国际货运代理有限公司上海分公司	Controlled by Mr. John Lau
Asean Business Group Pty Ltd	Joint venture

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**29 Related party transactions (Continued)**

The following transactions were carried out with related parties:

	2020 HK\$	2019 HK\$
(a) Revenue – note (i)		
Sales of software development services:		
- Cargo Services Far East Limited	2,400,000	2,400,000
	<u>2,400,000</u>	<u>2,400,000</u>
(b) Expenses – note (i)		
Purchase of outsourced labour services:		
- Cargo Services Far East Limited	600,000	600,000
	-----	-----
Purchases of outsourced import, storage, and courier fulfillment services:		
- Allport Cargo Services Limited	7,862	68,912
- Cargo Service (China) Limited	3,508,069	5,321,699
- CN Logistics Limited	1,600,824	4,107,356
- EC-GO eCommerce Limited	-	644,945
	-----	-----
Lease payment/rental expense:		
- Cargo Services Far East Limited	185,340	-
	<u>185,340</u>	<u>-</u>
	<u>5,902,095</u>	<u>10,742,912</u>
(c) Key Management compensation – note (ii)		
Details of the Key Management compensation are disclosed in Note 9 to this consolidated financial statement.		
	2020 HK\$	2019 HK\$
(d) Payment on behalf of ECG by related parties		
- Cargo Services Far East Limited	-	5,936
- Cargo Service (China) Limited	-	2,155,930
- 深圳市看我商貿服務有限公司	-	765,995
	-----	-----
	<u>-</u>	<u>2,927,861</u>
	<u>-</u>	<u>2,927,861</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****29 Related party transactions (Continued)**

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

(e) Balances with related parties – note (iii)

	2020 HK\$	2019 HK\$
- Allport Cargo Services Limited	192,739	53,104
- Cargo Tiancheng Technology Limited	-	42,492
- 深圳市看我商貿服務有限公司	1,370,597	2,957,599
- 深圳市一全通电子商务有限公司	5,061	1,114
	<u>1,568,397</u>	<u>3,054,309</u>
- Cargo Services Far East Limited	(14,629,815)	(1,550,226)
- Cargo Services (China) Limited	(18,925,855)	(17,144,888)
- CN Logistics Limited	(1,219,623)	(2,089,087)
- CN Logistics Limited (HK)	(2,354)	-
- CS China Logistics Limited	(768,686)	(678,188)
- EC-GO eCommerce Limited	(4,413,207)	(4,421,891)
- Dreamtown International Ltd	(3,309,942)	-
- 广州市嘉泓国际货运代理有限公司上海分公司	(160,935)	-
	<u>(43,430,417)</u>	<u>(25,884,280)</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****29 Related party transactions (Continued)**

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

(f) Borrowings from a shareholder

	Greater China HK\$	Acquisition of Jessica's Suitcase HK\$	Total HK\$
At 1 January 2019	56,111,770	2,308,579	58,420,349
Loan advanced during the year for acquisition of a subsidiary	35,343,319	-	35,343,319
Interest paid	-	(123,068)	(123,068)
Repayment	(9,882,882)	(2,251,545)	(12,134,427)
Interest charged	4,031,310	88,865	4,120,175
Currency translation differences	-	(22,831)	(22,831)
	<u>85,603,517</u>	<u>-</u>	<u>85,603,517</u>
At 31 December 2019	85,603,517	-	85,603,517
	<u>85,603,517</u>	<u>-</u>	<u>85,603,517</u>
At 1 January 2020	85,603,517	-	85,603,517
Loan advanced during the year	1,000,000	-	1,000,000
Interest charged	3,875,293	-	3,875,293
	<u>90,478,810</u>	<u>-</u>	<u>90,478,810</u>
At 31 December 2020	90,478,810	-	90,478,810

Notes:

- (i) These transactions are carried out on terms mutually 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) Balances with related parties arise mainly from sale and purchase transactions and are due one month after the date of sale or purchase. The receivable balances and payable balances bear no interest and are denominated in HK\$.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

	Note	2020 HK\$	2019 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		-	-
Intangible assets		-	-
Investments in subsidiaries		30,357,562	64,121,262
		<u>30,357,562</u>	<u>64,121,262</u>
<b>Current assets</b>			
Cash and cash equivalents		4,889	15,549
		<u>4,889</u>	<u>15,549</u>
<b>Total assets</b>		<u><u>30,362,451</u></u>	<u><u>64,136,811</u></u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		427,820,968	427,820,968
Accumulated losses	a	(489,382,770)	(449,920,555)
<b>Total equity</b>		<u>(61,561,802)</u>	<u>(22,099,587)</u>
<b>Liabilities</b>			
<b>Non-current liability</b>			
Loan from a shareholder		90,478,810	85,603,517
<b>Current liabilities</b>			
Amounts due to subsidiaries		1,052,475	195,660
Other payables and accruals		392,968	437,221
		<u>1,445,443</u>	<u>632,881</u>
<b>Total liabilities</b>		<u><u>91,924,253</u></u>	<u><u>86,236,398</u></u>
<b>Total equity and liabilities</b>		<u><u>30,362,451</u></u>	<u><u>64,136,811</u></u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 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 2019	(146,733,996)
Loss for the year	(303,186,559)
	<hr/>
As at 31 December 2019 and 1 January 2020	(449,920,555)
Loss for the year	(39,462,215)
	<hr/>
As at 31 December 2020	(489,382,770)
	<hr/> <hr/>