



ASX PRELIMINARY FINAL REPORT

eCargo Holdings Limited

ARBN 601 083 069

December 31, 2021

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, 2021 to December 31, 2021
 Prior corresponding period: January 1, 2020 to December 31, 2020

Results for announcement to the market

Key information

(HK\$)	Year ended December 31, 2021	Year ended December 31, 2020	% Change
Revenue from ordinary operations	156,598,239	218,453,159	-28%
Profit/(Loss) after income tax expense	896,702	(39,542,091)	-102%
Total comprehensive loss attributable to owners of the Company	(1,859,100)	(37,891,757)	-95%

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, 2021	(HK\$14.6 cents)
December 31, 2020	(HK\$15.3 cents)

At December 31, 2021, there were 615,250,000 shares in issue, which would convert to a net asset backing of loss HK\$11.4 cents per share (December 31, 2020: HK\$11.1 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 joint ventures.

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

The Group achieved a 21% increase in EBITDA to HK\$9.2 million (FY20: HK\$7.6 million).

The FY21 statutory net profit of HK\$0.9 million (FY20: net loss of HK\$39.5 million) represented an important step forward for the business and demonstrates the success of the Group's ongoing restructure.

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

In the offline T&D business, relating to the trading of goods to offline retail operators across China, removal of product lines that had minimal profit contributions (i.e. Wine, Confectionary, and Private-Label products), and clearing overstock from previous years led to a fall in revenue and gross profit margin, but an improvement in EBITDA offset by new product mix (i.e. mother and baby products), reduce the loss to HK\$5.1 million. Revenue also fell as the Group shifted facilitation of traditional B2B trading to the JJX B2B digital platform.

The online T&D business, pertaining to sales of contracted consumer products on eCommerce platforms including Alibaba's Tmall and JD.com, as well as the new JJX B2B trading platform, experienced a fall in revenue, primarily due to shifting product mix to higher margin products and removing high volume products that generated lower margins. Trades conducted via the JJX platform continue to grow month-over-month as the Group shifts facilitation of offline trading to the platform. The online T&D business delivered a

positive EBITDA result of HK\$7.6 million (FY20: profit of HK\$6.0 million), growing 27%, growth expected to continue in 2022 and onwards.

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

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

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

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 2021

eCARGO HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 HK\$	2020 HK\$
Revenue	6	156,598,239	218,453,159
Cost of sales	7	(67,986,855)	(149,178,094)
Gross profit		88,611,384	69,275,065
Selling and distribution expenses	7	(11,067,420)	(12,704,956)
Administrative expenses	7	(77,590,203)	(61,687,169)
Research and development expenses	7	(2,712,690)	(1,552,743)
Net impairment losses on financial assets and contract assets	3.1	(16,122)	(145,683)
Other income	10	5,118,130	5,958,328
Other (losses)/gains – net	10	(1,556,896)	337,416
		786,183	(519,742)
Finance income	11	10,964	18,614
Finance expense	11	(2,911,679)	(5,240,550)
Finance expense – net	11	(2,900,715)	(5,221,936)
Share of results of joint ventures	17	2,791,027	1,347,000
Provision for impairment of intangible assets	15	-	(33,511,315)
Profit/(loss) before income tax		676,495	(37,905,993)
Income tax credit/(expense)	12	220,207	(1,636,098)
Profit/(loss) for the year		896,702	(39,542,091)
Other comprehensive (loss)/income			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		(2,755,802)	1,650,334
Total comprehensive loss for the year		(1,859,100)	(37,891,757)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
- Basic and diluted (HK cents per share)	13	0.15	(6.43)

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 2021**

	Note	2021 HK\$	2020 HK\$
Assets			
Non-current assets			
Property, plant and equipment	14(a)	660,912	638,925
Right-of-use assets	14(b)	1,859,848	5,194,936
Intangible assets	15	19,803,231	26,141,487
Interests in joint ventures	17	2,856,736	529,486
Deferred income tax assets	24	1,900,079	3,235,493
Deposits	21	412,619	435,245
		<u>27,493,425</u>	<u>36,175,572</u>
Current assets			
Inventories	19	2,820,453	6,289,302
Trade receivables	20	22,205,126	23,943,848
Contract assets	5	1,630,638	3,572,276
Prepayments, deposits and other receivables	21	5,246,438	5,333,657
Amounts due from related parties	29	4,648,375	1,568,397
Income tax receivables		144,809	-
Cash and cash equivalents	22	32,644,769	48,677,017
		<u>69,340,608</u>	<u>89,384,497</u>
Total assets		<u><u>96,834,033</u></u>	<u><u>125,560,069</u></u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	25	427,820,968	427,820,968
Currency translation reserve		(4,042,261)	(1,286,459)
Accumulated losses		(493,802,416)	(494,699,118)
Total deficit		<u>(70,023,709)</u>	<u>(68,164,609)</u>

eCARGO HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**
AS AT 31 DECEMBER 2021

	Note	2021 HK\$	2020 HK\$
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	24	7,916,894	9,872,816
Lease liabilities	14(b)	517,543	3,673,784
Other payables	23	1,045,861	966,055
Amount due to a related party	29	4,413,207	-
Shareholder's loan	27	92,782,809	90,478,810
		<u>106,676,314</u>	<u>104,991,465</u>
		-----	-----
Current liabilities			
Trade payables	23	3,547,645	9,173,137
Contract liabilities	5	1,365,266	2,876,799
Other payables and accruals	23	11,640,322	17,323,554
Amounts due to related parties	29	28,788,482	43,430,417
Put option liabilities	30	8,479,950	8,909,813
Lease liabilities	14(b)	1,770,763	2,069,644
Bank borrowings	28	4,589,000	-
Income tax payable		-	4,949,849
		<u>60,181,428</u>	<u>88,733,213</u>
		-----	-----
Total liabilities		<u>166,857,742</u>	<u>193,724,678</u>
		=====	=====
Total deficit and liabilities		<u>96,834,033</u>	<u>125,560,069</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 2021**

	Share capital HK\$	Currency translation reserve HK\$	Accumulated losses HK\$	Total deficit HK\$
Balance at 1 January 2020	427,820,968	(2,936,793)	(455,157,027)	(30,272,852)
Comprehensive loss				
Loss for the year	-	-	(39,542,091)	(39,542,091)
Other comprehensive income				
Currency translation differences	-	1,650,334	-	1,650,334
Total comprehensive income/(loss) for the year	-	1,650,334	(39,542,091)	(37,891,757)
Balance at 31 December 2020	427,820,968	(1,286,459)	(494,699,118)	(68,164,609)
Balance at 1 January 2021	427,820,968	(1,286,459)	(494,699,118)	(68,164,609)
Comprehensive income				
Profit for the year	-	-	896,702	896,702
Other comprehensive loss				
Currency translation differences	-	(2,755,802)	-	(2,755,802)
Total comprehensive loss/(income) for the year	-	(2,755,802)	896,702	(1,859,100)
Balance at 31 December 2021	427,820,968	(4,042,261)	(493,802,416)	(70,023,709)

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 2021**

	Note	2021 HK\$	2020 HK\$
Cash flows from operating activities			
Cash (used in)/generated from operations	26	(9,586,652)	24,294,175
Income tax paid		(5,493,976)	(506,131)
Interest paid	11	(104,418)	-
Net cash (used in)/generated from operating activities		(15,185,046)	23,788,044
Cash flows from investing activities			
Investment in joint ventures	17	(781,170)	-
Purchase of property, plant and equipment	14(a)	(236,424)	(200,694)
Interest received	11	10,964	18,614
Dividend received from joint ventures	17	1,244,947	1,031,068
Net cash generated from investing activities		238,317	848,988
Cash flows from financing activities			
Proceeds from shareholder's loan	29(e)	-	1,000,000
Principal elements of lease payment	26(b)	(2,331,631)	(1,822,391)
Interest elements of lease payment	26(b)	(166,599)	(305,403)
Proceeds from bank borrowings	28	4,589,000	-
Net cash generated from/(used in) financing activities		2,090,770	(1,127,794)
Net (decrease)/increase in cash and cash equivalents		(12,855,959)	23,509,238
Cash and cash equivalents at beginning of the year		48,677,017	26,946,542
Exchange loss on cash and cash equivalents		(3,176,289)	(1,778,763)
Cash and cash equivalents at end of the year	22	32,644,769	48,677,017

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 requirements of the Hong Kong Companies Ordinance (Cap.622).

2.2 Basis of preparation of the financial statements

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

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

- (a) The following new and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2021, but do not have significant financial impact to ECG.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments) Covid-19-Related Rent Concessions (amendments)
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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 2021 and have not been early adopted by ECG.

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (amendments)	1 January 2022
Amendment to HKFRS 3	Definition of a business (amendments)	1 January 2022
Amendment to HKAS 16	Property, Plant and equipment (amendments)	1 January 2022
Amendment to HKFRS 37	Provisions, Contingent Liabilities and Contingent Assets (amendments)	1 January 2022
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Insurance Contracts	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))	1 January 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
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 HKFRSs when they become effective. ECG is in the process of making an assessment of the impact of the above HKFRSs.

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 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 2.3.3), after initially being recognised at cost in the consolidated statement of financial position.

2.3.3 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)

2.3.4 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 joint ventures 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 director 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.

(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 "other gains/(losses) – net" in the consolidated statement of comprehensive income.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.7 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("OCI") are recognised 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 "other gains/(losses) – net" 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.

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)

(d) Supplier relationships

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

(e) Software

Software acquired in a business combination are recognised at fair value at the acquisition date. The software has 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 software of 5 to 10 years.

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
Supplier 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 measurement category as 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.

(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 carried at amortised cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, financial assets at amortised cost 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 the profit or loss, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(iv) Impairment

ECG assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. 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 income tax expense for the year comprises current and deferred income tax. Income 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 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 is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments at the reporting date are discounted using market yields on high-quality corporate bonds with terms to maturity that match as closely as possible, the estimated future cash outflows.

(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 consolidated 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).

(i) Sale of goods

ECG sells fast moving consumer goods. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or ECG has objective evidence that all criteria for acceptance have been satisfied. Revenue from these sales is recognised based on the price specified in the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Service income

Revenue from service income is recognised over time when the services are rendered. Revenue is recognised over the respective contract terms.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 Earnings/loss per share

(i) Basic earnings/loss per share

Basic earnings/loss per share is calculated by dividing:

- the profit/loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings/loss per share

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss 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.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.25 Leases (Continued)

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.

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 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.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 2021, if HK\$ had strengthened/weakened by 5% against the A\$ with all other variables held constant, post-tax profit/(loss) for the year would have been approximately HK\$666,000 lower/higher (2020: HK\$294,000 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 2021, if HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax profit/(loss) for the year would have been approximately HK\$421,000 lower/higher (2020: HK\$413,000 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 2021, there is no foreign exchange risk arising from NZ\$. 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 higher/lower, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade and other payables and bank deposits denominated in the NZ\$.

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

ECG's interest rate risk arises from shareholder's loan and bank borrowings, 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. 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 borrowings at variable rate were denominated in HK\$.

At 31 December 2021, if interest rate on borrowings held at variable rate had been 50 basis points higher/lower with all other variables held constant, post-tax profit/(loss) for the year would have been approximately HK\$407,000 lower/higher (2020: HK\$378,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings. The interest rate exposes on cash is considered immaterial as the interest rate of cash is low.

(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 (2020: 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, 61% (2020: 51%) of the total receivables was due from ECG's largest five debtors. There was 1 customer (2020: Nil) which individually contributed over 10% of ECG's trade receivables. The amount of trade receivables from this customer amounted to 34.8% (2020: Nil) of the ECG's total trade receivables. 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.

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

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 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.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2021 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.

On that basis, the loss allowance as at 31 December 2021 and 2020 was determined as follows for both trade receivables and contract assets:

As at 31 December 2021	Lifetime expected loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
Individual assessment	100%	503,784	(503,784)	-
Collective assessment				
Current	0%-0.4%	14,186,658	(259,394)	13,927,264
Past due:				
1 to 30 days	0%-0.4%	4,499,493	(13,794)	4,485,699
31 to 60 days	0%-1.8%	3,318,886	(44,043)	3,274,843
61 to 90 days	0%-6.9%	2,041,916	(78,529)	1,963,387
Over 90 days	0%-28%	248,619	(64,048)	184,571
		24,295,572	(459,808)	23,835,764

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)

As at 31 December 2020	Lifetime expected loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
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

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	
	2021 HK\$	2020 HK\$
Opening loss allowance at 1 January	975,096	789,539
Increase in loss allowance recognised in profit or loss	16,122	145,683
Currency translation differences	(27,626)	39,874
Closing loss allowance at 31 December	963,592	975,096

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.

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)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, other receivables and amounts due from related parties. (2020: same). Management monitors closely the credit qualities and the collectability of the other financial assets at amortised cost. As at 31 December 2021, there is no loss allowance in respect of individually assessed receivables (2020: 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.

As at 31 December 2021, the Company had net current assets of HK\$9,159,180 and net liabilities of HK\$70,023,709. The ultimate holding company, JL Enterprise Holdings Limited ("JL Enterprise") has in the past offered a total loan facility of HK\$100 million to the Company and up to 31 December 2021, approximately HK\$7.2 million remained available and undrawn. In addition, JL Enterprise has agreed to provide continuing financial support to ECG. Management considered that ECG has sufficient financial resources and position to meet its liquidity needs.

The contractual undiscounted cash flows of ECG's financial liabilities, which include trade payables, other payables and accruals, amounts due to related parties, put option liabilities 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)

(c) Liquidity risk (Continued)

The table below analyses ECG's non-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 or repayable on demand HK\$	Between 3 months and 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Total contractual cashflow HK\$	Carrying amount HK\$
At 31 December 2021						
Trade payables	3,547,645	-	-	-	3,547,645	3,547,645
Other payables and accruals	11,640,322	-	1,045,861	-	12,686,183	12,686,183
Amounts due to related parties	28,788,482	-	-	4,413,207	33,201,689	33,201,689
Put option liabilities	8,479,950	-	-	-	8,479,950	8,479,950
Lease liabilities	531,420	1,319,551	472,219	60,502	2,383,692	2,288,306
Bank borrowings	4,589,000	-	-	-	4,589,000	4,589,000
Shareholder's loan	-	-	93,710,637	-	93,710,637	92,782,809
	<u>57,576,819</u>	<u>1,319,551</u>	<u>95,228,717</u>	<u>4,473,709</u>	<u>158,598,796</u>	<u>157,575,582</u>
At 31 December 2020						
Trade payables	9,173,137	-	-	-	9,173,137	9,173,137
Other payables and accruals	17,323,554	-	966,055	-	18,289,609	18,289,609
Amounts due to related parties	43,430,417	-	-	-	43,430,417	43,430,417
Put option liabilities	8,909,813	-	-	-	8,909,813	8,909,813
Lease liabilities	618,535	1,880,544	1,991,107	1,675,426	6,165,612	5,743,428
Shareholder's loan	-	-	95,002,750	-	95,002,750	90,478,810
	<u>79,455,456</u>	<u>1,880,544</u>	<u>97,959,912</u>	<u>1,675,426</u>	<u>180,971,338</u>	<u>176,025,214</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below summarises the maturity analysis of the ECG's bank borrowings, subject to the lenders' rights to demand immediate repayment, based on agreed scheduled repayments set out in the relevant agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the tables above. Taking into account ECG's financial position, the directors do not consider that it is probable that the relevant banks will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the relevant agreements.

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Total undiscounted cash outflow HK\$
At 31 December 2021				
Bank borrowings	1,032,118	1,212,818	2,627,269	4,872,205

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.

3.3 Fair value estimation

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements

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

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

(a) Impairment assessment of long-lived assets

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

- Property, plant and equipment;
- Intangible assets; and
- Interest in 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 judgement in applying such information to its business. ECG's interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period.

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

(b) 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 selling expenses. These estimates are based on the current market condition and the historical experience of 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.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (“FMCG”) primarily in Greater China (“Greater China”) and eCommerce Solution Services in Australia (“Australia”). The CODM assesses and measures the operating performance of ECG based on the revenue, gross profit and EBITDA (excluding impact of foreign exchange) as management believes that such information is the most relevant in evaluating the results of ECG’s segments. EBITDA (excluding impact of foreign exchange) is defined as profit/loss before income tax, excluding impact of foreign exchange gain/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 joint ventures, gain on fair value of contingent consideration and provision for impairment of intangible assets.

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:

			2021	
	Greater China HK\$	Australia HK\$	Unallocated corporate income/ (expense) HK\$	Consolidated HK\$
Revenue from external customers	85,188,762	69,009,477	-	154,198,239
Revenue from related companies (Note 29)	-	-	2,400,000	2,400,000
	<u>85,188,762</u>	<u>69,009,477</u>	<u>2,400,000</u>	<u>156,598,239</u>
Gross profit	<u>33,163,794</u>	<u>53,047,590</u>	<u>2,400,000</u>	<u>88,611,384</u>
EBITDA gain/(loss) – excluding impact of foreign exchange	6,890,256	12,545,742	(10,244,667)	9,191,331
Net foreign exchange (loss)	(585,336)	(217,475)	(754,085)	(1,556,896)
Depreciation of property, plant and equipment	(40,953)	(180,854)	(15,926)	(237,733)
Depreciation of right-of-use assets	(944,108)	(1,010,889)	-	(1,954,997)
Amortisation of intangible assets	-	(602,427)	(4,053,095)	(4,655,522)
Finance income	-	295	10,669	10,964
Finance expense	(543,433)	(64,247)	(2,303,999)	(2,911,679)
Share of result of joint ventures	2,791,027	-	-	2,791,027
	<u>7,567,453</u>	<u>10,470,145</u>	<u>(17,361,103)</u>	<u>676,495</u>
Profit/(loss) before income tax	7,567,453	10,470,145	(17,361,103)	676,495
Income tax credit/(expense)	1,823,274	(1,603,067)	-	220,207
	<u>9,390,727</u>	<u>8,867,078</u>	<u>(17,361,103)</u>	<u>896,702</u>
Profit/(loss) for the year	<u>9,390,727</u>	<u>8,867,078</u>	<u>(17,361,103)</u>	<u>896,702</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:

			2020	
	Greater China HK\$	Australia HK\$	Unallocated corporate income/ (expense) HK\$	Consolidated HK\$
Revenue from external customers	130,890,648	85,162,511	-	216,053,159
Revenue from related companies (Note 29)	-	-	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>
Gross profit	<u>24,526,972</u>	<u>42,348,093</u>	<u>2,400,000</u>	<u>69,275,065</u>
EBITDA gain/(loss) – excluding impact of foreign exchange	3,185,218	12,241,050	(7,828,524)	7,597,744
Net foreign exchange (loss)/gain	(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 intangible assets	-	-	(33,511,315)	(33,511,315)
Share of result of joint ventures	1,347,000	-	-	1,347,000
Gain on fair value of contingent consideration	-	-	413,276	413,276
	<u>2,509,221</u>	<u>9,750,770</u>	<u>(50,165,984)</u>	<u>(37,905,993)</u>
Profit/(loss) before income tax	145,259	(1,781,357)	-	(1,636,098)
Income tax credit/(expense)	<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				

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (Continued)

The segment assets as at 31 December 2021 and 2020 are as follows:

	Greater China HK\$	Australia HK\$	Unallocated Corporate Assets/ (Liabilities) HK\$	Consolidated HK\$
As at 31 December 2021				
Segment assets	53,862,682	24,363,621	16,707,651	94,933,954
Deferred income tax assets	367,474	1,532,605	-	1,900,079
	<u>54,230,156</u>	<u>25,896,226</u>	<u>16,707,651</u>	<u>96,834,033</u>
Segment liabilities	<u>(145,405,580)</u>	<u>(3,969,460)</u>	<u>(17,482,702)</u>	<u>(166,857,742)</u>
As at 31 December 2020				
Segment assets	57,711,426	44,306,177	20,306,973	122,324,576
Deferred income tax assets	370,535	2,864,958	-	3,235,493
	<u>58,081,961</u>	<u>47,171,135</u>	<u>20,306,973</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>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (Continued)

Information about major customer

For the year ended 31 December 2021, there were no single external customers contributing 10% or more of ECG's total revenue.

For the year ended 31 December 2020, there were two single external customers contributing 10% or more of ECG's total revenue.

ECG derives revenue from the transfer of goods and services over time and at a point in time in the following segments:

	Greater China HK\$	2021 Australia HK\$	Total HK\$
Revenue from external customers	85,188,762	69,009,477	154,198,239
Time of revenue recognition			
At a point in time	65,516,182	-	65,516,182
Overtime	19,672,580	69,009,477	88,682,057
	<u>85,188,762</u>	<u>69,009,477</u>	<u>154,198,239</u>
	Greater China HK\$	2020 Australia HK\$	Total HK\$
Revenue from external customers	130,890,648	85,162,511	216,053,159
Time of revenue recognition			
At a point in time	115,330,295	-	115,330,295
Overtime	15,560,353	85,162,511	100,722,864
	<u>130,890,648</u>	<u>85,162,511</u>	<u>216,053,159</u>

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:

	2021 HK\$	2020 HK\$
Contract assets	<u>1,630,638</u>	<u>3,572,276</u>
Contract liabilities	<u>1,365,266</u>	<u>2,876,799</u>

Significant changes in contract assets and liabilities

During the year ended 31 December 2021, the balance of contract assets has decreased due to less unbilled amount. ECG also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. No impairment was made for contract assets as at 31 December 2021 and 2020.

The balance of contract liabilities has 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.

	2021 HK\$	2020 HK\$
<i>Revenue recognised that was included in the contract liabilities balance at the beginning of the year</i>		
Services income	<u>2,876,799</u>	<u>2,155,757</u>

6 Revenue

Revenue recognized during the year was as follows:

	2021 HK\$	2020 HK\$
Revenue		
- Service income – recognized over time	91,082,057	103,122,864
- Sales of goods – recognized at a point in time	<u>65,516,182</u>	<u>115,330,295</u>
	<u>156,598,239</u>	<u>218,453,159</u>

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

	2021 HK\$	2020 HK\$
Outsourced services fulfilment expenses, included in cost of sales	3,578,998	5,903,066
Outsourced web development and IT consultation costs, included in cost of sales	-	193,138
Subscription expense for software application, included in cost of sales	15,961,887	42,814,417
Other direct costs, included in cost of sales	13,256,809	30,109,448
Cost of inventories, included in cost of sales	35,189,161	70,158,025
Auditor's remuneration		
– Audit services	1,400,000	1,280,000
Employee benefit expenses (Note 8)	60,935,141	51,142,904
Consultancy fees	2,851,163	-
Outsourced labour costs (Note 29)	600,000	600,000
Amortisation of intangible assets (Note 15)	4,655,522	6,542,525
Depreciation of property, plant and equipment (Note 14(a))	237,733	264,932
Depreciation of right of use assets (Note 14(b))	1,954,997	2,060,721
Legal and professional expenses	2,647,391	3,524,844
Travel expenses	575,322	446,691
Operating leases rental (Note 14(b))	530,248	544,137
IT expenses	907,966	1,091,622
Advertising and marketing expenses	7,784,747	3,887,000
Utilities and maintenance expenses	399,059	358,503
Telecommunication expenses	227,355	247,270
Insurance expenses	270,378	317,914
Other expenses	5,393,291	3,635,805
	<u>159,357,168</u>	<u>225,122,962</u>

8 Employee benefit expenses (including Directors' emoluments)

	2021 HK\$	2020 HK\$
Wages and salaries	53,447,794	45,374,431
Pension costs	3,574,290	2,283,651
Other employee benefits and welfare	3,913,057	3,484,822
	<u>60,935,141</u>	<u>51,142,904</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 2021:

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

				Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	<u>Fees</u> HK\$	<u>Salary</u> HK\$	<u>Others*</u> HK\$	HK\$	HK\$	HK\$	HK\$
Mr. John Lau ^	-	-	-	-	-	-	-
Mr. Christopher Lau ¹	-	-	-	-	-	-	-
Mr. Rupert Myer AO#	105,285	-	-	-	-	-	105,285
Mr. Heath Zarin ²	40,639	-	-	-	-	-	40,639
Mr. Yuming Zou#	105,285	-	-	-	-	-	105,285
Mr. Lam Von Villy Mendoza # ³	47,350	-	-	-	-	-	47,350
	<u>298,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,559</u>

^: Executive Director

#: Independent Non-Executive Directors

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

1: Resigned on 7 April 2021

2: Resigned on 15 July 2021

3: Appointed on 15 July 2021

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 2020:

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

				Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	<u>Fees</u>	<u>Salary</u>	<u>Others*</u>	<u>scheme</u>	<u>as Director</u>	<u>undertaking</u>	<u>Total</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 ¹	5,427	-	-	-	-	-	5,427
Mr. Yuming Zou # ²	90,718	-	-	-	-	-	90,718
	288,435	-	-	-	-	-	288,435

^: Executive Director

@: Non-Executive Director

#: 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

(b) Directors' retirement benefits and termination benefits

None of the Directors received or will receive any retirement benefits or termination benefits during the year (2020: 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 (2020: 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 (2020: 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

	2021 HK\$	2020 HK\$
Government grant	580,976	4,278,754
Fair value gain on contingent consideration	-	413,276
IT consultancy income (Note 29(a))	2,851,970	-
Others	1,685,184	1,266,298
	<u>5,118,130</u>	<u>5,958,328</u>

No Employment Support Scheme (2020: HK\$458,304), Job Keeper Subsidy (2020: HK\$1,394,097), and ATO Cashflow Boost (2020: HK\$850,651), Export Market Development grants of HK\$580,976 (2020: HK\$1,575,704) were recognised for the year ended 31 December 2021. 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 (losses)/gains - net

	2021 HK\$	2020 HK\$
Net foreign exchange (losses)/gains	<u>(1,556,896)</u>	<u>337,416</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Finance expense - net

	2021 HK\$	2020 HK\$
Finance income:		
- Interest income on short-term bank deposits	10,964	18,614
	-----	-----
Finance expense:		
- Interest and finance charge paid/payable for lease liabilities (Note 14(b))	(166,599)	(305,403)
- Interest expense on borrowings	(2,640,662)	(4,418,652)
- Interest expense on bank borrowings	(104,418)	-
- Interest expense on put option liabilities and contingent consideration	-	(516,495)
	-----	-----
	(2,911,679)	(5,240,550)
	=====	=====
Finance expense - net	(2,900,715)	(5,221,936)
	=====	=====

12 Income tax (credit)/expense

	2021 HK\$	2020 HK\$
Current income tax		
- Australian corporate tax	1,092,004	4,632,157
Over provision in prior years	(572,458)	-
Deferred income tax (Note 24)	(739,753)	(2,996,059)
	-----	-----
Income tax (credit)/expense	(220,207)	1,636,098
	=====	=====

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2020:16.5%). For the year ended 31 December 2021, 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 (2020: 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 2021. No provision for Hong Kong profits tax has been made as there was no assessable profit for the year ended 31 December 2020 in Hong Kong.

Subsidiaries established in Australia and the PRC are subject to 30% (2020: 30%) and 25% (2020: 25%) income tax rate during the year respectively. No provision for PRC profits tax has been made as there was no assessable profit for the year ended 31 December 2021 and 2020 in PRC.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Income tax (credit)/expense (Continued)

The tax on ECG's profit/(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.

	2021 HK\$	2020 HK\$
Profit/(loss) before income tax	676,495	(37,905,993)
Less: joint venture's results reported net of tax	(2,791,027)	(1,347,000)
	<u>(2,114,532)</u>	<u>(39,252,993)</u>
Tax calculated at domestic tax rates applicable in the respective countries	(507,774)	(6,538,859)
Tax effect of:		
- Income not subject to tax	(9,131)	(827,753)
- Expenses not deductible for tax purposes	122,152	5,770,546
- Over provision in prior years	(572,458)	-
- Temporary differences not recognised	97,804	-
- Tax losses for which no deferred income tax assets were recognised	3,101,815	3,637,497
- Utilisation of previously unrecognised tax loss	(2,452,615)	(405,333)
Income tax (credit)/expense	<u>(220,207)</u>	<u>1,636,098</u>

13 Earnings/(loss) per share

(a) Basic

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

	2021 HK\$	2020 HK\$
Earnings/(loss) attributable to owners of the Company	896,702	(39,542,091)
Weighted average number of ordinary shares in issue	615,250,000	615,250,000
Basic earnings/(loss) per share (HK\$ cents per share)	<u>0.15</u>	<u>(6.43)</u>

(b) Diluted

Diluted earnings/loss per share for the year is equal to the basic earnings/loss per share as there are no potential dilutive ordinary shares outstanding during the year (2020: same).

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14(a) Property, plant and equipment

	Furniture and fixtures HK\$	Computer equipment HK\$	Office equipment HK\$	Leasehold improvement HK\$	Total HK\$
As at 1 January 2020					
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	312,218	261,565	11,700	68,280	653,763
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	317,932	316,494	1,554	2,945	638,925
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	317,932	316,494	1,554	2,945	638,925
Year ended 31 December 2021					
Opening net book amount	317,932	316,494	1,554	2,945	638,925
Additions	-	212,726	23,698	-	236,424
Depreciation charge (Note 7)	(48,959)	(185,167)	(631)	(2,976)	(237,733)
Currency translation differences	(15,075)	38,001	339	31	23,296
Closing net book amount	253,898	382,054	24,960	-	660,912
As at 31 December 2021					
Cost	811,487	3,052,781	1,021,986	4,775,000	9,661,254
Accumulated depreciation and impairment	(557,589)	(2,670,727)	(997,026)	4,775,000	(9,000,342)
Net book amount	253,898	382,054	24,960	-	660,912

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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:

	2021 HK\$	2020 HK\$
Right-of-use assets		
Buildings	1,859,848	5,194,936
Lease liabilities		
Current	1,770,763	2,069,644
Non-current	517,543	3,673,784
	2,288,306	5,743,428

There were no additions to the right-of-use assets during the 2021 financial year (2020: HK\$1,272,298). There was HK\$1,278,614 decreased to the right-of-use assets during 2021 financial year as a result of modifications to one lease agreement. (2020: Nil).

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

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

	Note	2021 HK\$	2020 HK\$
Depreciation charge of right-of-use assets			
Buildings	7	1,954,997	2,060,721
Interest expense (included in finance cost)	11	166,599	305,403
Expenses relating to short-term leases (included in administrative expenses)	7	530,248	544,137
		696,847	849,540

The total cash outflow for leases in 2021 was HK\$2,498,230 (2020: HK\$2,127,794).

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

ECG leases various offices. 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\$	Supplier relationships HK\$	Brand name HK\$	Software HK\$	Total HK\$
As at 1 January 2020						
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
Year ended 31 December 2021						
Opening net book amount	-	-	4,348,380	20,357,321	1,435,786	26,141,487
Amortisation charge (Note 7)	-	-	(1,079,258)	(2,973,837)	(602,427)	(4,655,522)
Currency translation differences	-	-	(196,984)	(1,427,336)	(58,414)	(1,682,734)
Closing net book value	-	-	3,072,138	15,956,148	774,945	19,803,231
As at 31 December 2021						
Cost	70,296,489	6,863,106	26,462,617	28,937,508	112,511,089	245,070,809
Accumulated amortisation and impairment	(70,296,489)	(6,863,106)	(23,390,479)	(12,981,360)	(111,736,144)	(225,267,578)
Net book value	-	-	3,072,138	15,956,148	774,945	19,803,231

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 were determined based on higher of value in use calculations and fair value less cost of disposal. As at 31 December 2020, the recoverable amount of goodwill was determined based on value in use calculations. The calculations used pre-tax cash flow projections based on financial budget covering a five year period approved by management. Cash flows beyond the projection period were extrapolated using the terminal growth rate stated below. The terminal growth rate did not exceed the long-term average growth rate for the business in which the CGU operates. As at 31 December 2020, valuations were undertaken by an independent and qualified valuer, Asset Appraisal Limited.

Goodwill is allocated to the Group’s CGUs in the following:

	Australia CGU HK\$	FMCG CHU HK\$	Total HK\$
At 1 January 2019	12,266,992	43,974,099	56,241,091
Addition	-	12,728,104	12,728,104
Impairment	-	(49,276,724)	(49,276,724)
Currency translation differences	(120,516)	(996,430)	(1,116,946)
	<hr/>	<hr/>	<hr/>
At 31 December 2019 and 1 January 2020	12,146,476	6,429,049	18,575,525
Impairment	(13,284,136)	(6,283,075)	(19,567,211)
Currency translation differences	1,137,660	(145,974)	991,686
	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	-	-	-
Exchange differences	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2021	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Intangible assets (Continued)

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

(i) Australia CGU

The key assumptions used for value in use calculation in 2020 for Australia CGU were as follows:

	2020
Compound annual growth rate ("CAGR") of revenue for the five-year period	-5.4%
Terminal growth rate	0.9%
Pre-tax discount rate	28.4%
EBITDA margin	Between 7.3% - 8.6%

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

An accumulated 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.

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 a further impairment to the carrying amount of other intangible assets approximately of HK\$593,000.

(ii) FMCG CGU

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 was used:

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

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. Such changes to the valuation resulted in an impairment loss of HK\$6,283,075 and HK\$13,944,104 being recognised against goodwill and intangible assets respectively in interim 2020. Accordingly, the carrying amount of the goodwill reduced to nil.

If the EBITDA margin was reduced by 2% with all other variables held constant, ECG would have had to recognise a further impairment to the carrying amount of other intangible assets 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 a further impairment to the carrying amount of other intangible assets approximately of HK\$9,000,000.

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

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:

	2021 HK\$	2020 HK\$
Australia CGU (Note i)		
- Contractual customer relationships	-	-
- Brand name	2,320,634	3,869,240
- Software	774,945	1,435,786
	<u>3,095,579</u>	<u>5,305,026</u>
FMCG CGU (Note ii)		
- Supplier relationships	3,072,138	4,348,380
- Brand name	13,635,514	16,488,081
	<u>16,707,652</u>	<u>20,836,461</u>

(i) Australia CGU

As at 31 December 2021, since no impairment indicator was identified for the Australia CGU for intangible assets other than goodwill, no impairment assessment was performed.

(ii) FMCG CGU

As at 31 December 2021, since no impairment indicator was identified for the FMCG CGU for intangible assets other than goodwill, no impairment assessment was performed.

As at 31 December 2020, impairment loss of HK\$13,944,144 was recognised during the year with the key assumptions mentioned above.

(c) Amortisation

A total of amortisation expense of HK\$4,655,522 (2020: HK\$6,542,525) has been charged to administrative expenses for the year ended 31 December 2021.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Subsidiaries

As at 31 December 2021, 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
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
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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Subsidiaries (Continued)

As at 31 December 2021, 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>
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
EcTrade Limited	Hong Kong, limited liability	Dormant	-	100%	HK\$1,000 ordinary share capital

Note

ECG acquired 85% interest in Metcash Export Services Pty Limited (“MES”) and Metcash Asia Limited (“MAL”) (collectively the “MES Group”) in February 2019. Management concluded that ECG has effectively control the remaining 15% equity interest of MES Group. Further details are included in Note 30. As such, ECG has not recognised any non-controlling interest in respect of the remaining 15% equity interest legally held by remaining shareholders of MES and ECG has accounted for MES Group as 100% owned in the consolidated financial statements of the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Interests in joint ventures

	2021 HK\$	2020 HK\$
<u>Interests in joint ventures</u>		
Beginning of the year	529,486	213,554
Investment in joint ventures (Note a and b)	781,170	-
Share of results from joint ventures	2,791,027	1,347,000
Dividend received from joint ventures	(1,244,947)	(1,031,068)
End of the year	<u>2,856,736</u>	<u>529,486</u>

Note:

- (a) In January 2021, ECG established PJF Wines Limited (“PJF”) with CN Investment Limited, a related party. PJF is a limited liability company incorporated in BVI and is engaged in the trading of dining wines in Mainland China. Both ECG and the other holds 50% equity interest in PJF and they jointly control PJF as the key operating and financial decisions of PJF required unanimous consent from them.
- (b) In August 2021, ECG established Mellow Asia Limited (“Mellow”) with Mellow.store Limited, an independent third party. Mellow is a limited liability company incorporated in Hong Kong and is engaged in the trading of non-psychoactive chemical products in Asia-Pacific region. Both ECG and the other shareholder holds 50% equity interest in Mellow and they jointly control Mellow as the key operating and financial decisions of Mellow required unanimous consent from them.

Name of entity	Principal activity	Place of business	Country of incorporation	% of ownership interest As at 31 December		Measurement method
				2021	2020	
PJF Wines Limited	Trading of dining wine	Hong Kong	BVI	50%	-	Equity method
Mellow Asia Limited	Trading of non-psychoactive chemical products	Hong Kong	Hong Kong	50%	-	Equity method
Asean Business Group Pty Limited (“ABG”)	Trading of fast moving consumer goods	Australia	Australia	33.33%	33.33%	Equity method

eCARGO HOLDINGS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****17 Interests in joint venture (Continued)****Reconciliation of summarised financial information****Summarised unaudited financial information for joint ventures**

Set out below is the summarised unaudited financial information of the material joint venture as at and for the year ended 31 December 2021 and 2020 which are accounted for using the equity method.

	ABG 2021 HK\$	ABG 2020 HK\$
Current assets	12,999,660	8,525,734
Current liabilities	(6,338,516)	6,937,117
Profit after income tax	8,808,162	4,041,004

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

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

	ABG 2021 HK\$	ABG 2020 HK\$
Net assets		
Beginning of the year	1,588,617	640,662
Profit for the year	8,808,162	4,041,004
Distribution to shareholders	(3,734,841)	(3,093,207)
Currency translation difference	553	158
End of the year	6,662,491	1,588,617
Percentage of ownership interest	33.33%	33.33%
Interest in joint ventures	2,220,608	529,486

Individually immaterial joint ventures

In addition to the interests in joint ventures of ABG disclosed above, ECG also has interests in joint ventures of PJF and Mellow whose financial information are individually immaterial as at and for the year ended 31 December 2021. As at 31 December 2021, the carrying amount of interest in individually immaterial joint ventures that are accounted for using the equity method were approximately HK\$636,000 (2020: nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Financial instruments by category

ECG holds the following instruments:

	2021 HK\$	2020 HK\$
Financial assets		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments)	26,344,651	27,308,889
Amounts due from related parties	4,648,375	1,568,397
Cash and cash equivalents	32,644,769	48,677,017
	<u>63,637,795</u>	<u>77,554,303</u>
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (excluding non-financial liabilities)	12,381,846	21,629,145
Amounts due to related parties	33,201,689	43,430,417
Shareholder's loan	92,782,809	90,478,810
Bank borrowings	4,589,000	-
Put option liabilities	8,479,950	8,909,813
Lease liabilities	2,288,306	5,743,428
	<u>153,723,600</u>	<u>170,191,613</u>

19 Inventories

	2021 HK\$	2020 HK\$
Finished goods	<u>2,820,453</u>	<u>6,289,302</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to HK\$ 35,189,161 (2020: HK\$70,158,025).

There was no write down of inventories to net realisable value during the year ended 31 December 2021 (2020: Nil).

20 Trade receivables

	2021 HK\$	2020 HK\$
Trade receivables	23,168,718	24,918,944
Less: provision for impairment	(963,592)	(975,096)
	<u>22,205,126</u>	<u>23,943,848</u>

Management considered the carrying amounts of trade receivables approximate their fair values.

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

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

	2021 HK\$	2020 HK\$
1 – 30 days	12,296,626	15,636,993
31 – 60 days	4,485,699	3,056,485
61 – 90 days	3,274,843	340,087
Over 90 days	2,147,958	4,910,283
	<u>22,205,126</u>	<u>23,943,848</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\$16,122 to HK\$963,592 for trade receivables assessed under individual and collective assessments during the current reporting period. 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.

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

	2021 HK\$	2020 HK\$
HK\$	472,970	1,178,280
RMB	2,405,252	4,577,934
A\$	11,343,207	16,276,178
NZ\$	-	1,562,236
US\$	7,846,646	-
Others	137,051	349,220
	<u>22,205,126</u>	<u>23,943,848</u>

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Prepayments, deposits and other receivables

	2021 HK\$	2020 HK\$
Prepayments	1,519,532	1,968,616
Rental and utilities deposits	2,244,959	1,820,932
Other receivables	1,894,566	1,979,354
	<u>5,659,057</u>	<u>5,768,902</u>
Less: non-current portion		
Deposits	(412,619)	(435,245)
	<u>5,246,438</u>	<u>5,333,657</u>

Other receivables were neither past due nor impaired and they were interest-free and repayable on demand as at 31 December 2021 and 2020. 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:

	2021 HK\$	2020 HK\$
HK\$	809,392	393,644
RMB	594,324	438,987
A\$	2,735,809	2,967,655
	<u>4,139,525</u>	<u>3,800,286</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:

	2021 HK\$	2020 HK\$
Cash on hand		
HK\$	14,396	225,824
RMB	68,451	-
	<u>82,847</u>	<u>225,824</u>
	-----	-----
Cash at banks		
HK\$	1,098,629	376,885
RMB	5,110,800	4,649,713
A\$	21,694,691	31,981,461
US\$	4,328,530	11,323,796
Others	329,272	119,338
	<u>32,561,922</u>	<u>48,451,193</u>
	-----	-----
Total	<u><u>32,644,769</u></u>	<u><u>48,677,017</u></u>

As at 31 December 2021, the amount of cash at banks represented ECG's maximum exposure to credit risk.

The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the relevant government authorities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Trade payables, other payables and accruals

	2021 HK\$	2020 HK\$
Trade payables	3,547,645	9,173,137
Accrued expenses	3,965,552	8,681,928
Accrued employee benefit expenses	3,851,982	5,833,601
Other payables	4,868,649	3,774,080
Other payables and accruals	12,686,183	18,289,609
Less: non-current portion		
Other payables	(1,045,861)	(966,055)
	11,640,322	17,323,554
	15,187,967	26,496,691

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

	2021 HK\$	2020 HK\$
HK\$	3,351,715	2,997,650
RMB	1,687,966	5,037,857
A\$	11,113,661	19,292,113
US\$	80,486	131,461
Others	-	3,665
	16,233,828	27,462,746

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Deferred income tax

	2021 HK\$	2020 HK\$
At 1 January	(6,637,323)	(9,931,616)
Credited to the consolidated statement of comprehensive income (Note 12)	739,753	2,996,059
Currency translation differences	(119,245)	298,234
At 31 December	<u>(6,016,815)</u>	<u>(6,637,323)</u>

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

(i) Deferred income tax assets

Movements	Deferred revenue HK\$	Accruals & provision HK\$	Right-of-use assets HK\$	Other HK\$	Total HK\$
At 1 January 2020	531,051	2,123,043	98,289	137,774	2,890,157
Credited to the consolidated statement of comprehensive income	314,548	489,932	14,769	267,927	1,087,176
Currency translation differences	86,363	250,810	10,924	44,105	392,202
At 31 December 2020	<u>931,962</u>	<u>2,863,785</u>	<u>123,982</u>	<u>449,806</u>	<u>4,369,535</u>
At 1 January 2021	931,962	2,863,785	123,982	449,806	4,369,535
Credited to the consolidated statement of comprehensive income	(487,055)	(1,008,353)	12,102	(313,413)	(1,796,719)
Currency translation differences	(35,331)	(105,518)	(6,771)	(14,941)	(162,561)
At 31 December 2021	<u>409,576</u>	<u>1,749,914</u>	<u>129,313</u>	<u>121,452</u>	<u>2,410,255</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Deferred income tax (Continued)

(ii) Deferred income tax liabilities

Movements	Accelerated depreciation and amortisation HK\$	Accrued income HK\$	Total HK\$
At 1 January 2020	(12,119,499)	(702,274)	(12,821,773)
Credited to the consolidated statement of comprehensive income	1,948,884	(40,001)	1,908,883
Currency translation differences	(23,542)	(70,426)	(93,968)
At 31 December 2020	(10,194,157)	(812,701)	(11,006,858)
At 1 January 2021	(10,194,157)	(812,701)	(11,006,858)
Credited to the consolidated statement of comprehensive income	1,876,695	659,777	2,536,472
Currency translation differences	18,838	24,478	43,316
At 31 December 2021	(8,298,624)	(128,446)	(8,427,070)

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.

As at 31 December 2021, ECG did not recognise deferred income tax assets of HK\$33,765,192 (2020: HK\$34,189,647) in respect of accumulated losses amounting to HK\$179,273,164 (2020: HK\$186,906,428) that can be carried forward against future taxable income. As at 31 December 2021, in respect of the accumulated losses of HK\$135,080,189 and HK\$8,574,352 arising in Hong Kong and Australia, respectively, does not have any expiry date while the accumulated tax losses of HK\$626,073, HK\$13,324,750, HK\$14,549,988 and HK\$7,117,812 arising in the PRC will be expired in 2022, 2024, 2025, and 2026.

25 Share capital

	Number of shares	Share capital HK\$
As at 1 January 2020, 31 December 2020 and 31 December 2021	615,250,000	427,820,968

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Notes to the consolidated statement of cash flows

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

	2021 HK\$	2020 HK\$
Profit/(loss) before income tax	676,495	(37,905,993)
Adjustments for:		
- Depreciation of property, plant and equipment (Note 14)	237,733	264,932
- Depreciation of right-of-use assets (Note 14(b))	1,954,997	2,060,721
- Amortisation of intangible assets (Note 15)	4,655,522	6,542,525
- Net foreign exchange losses/(gain) (Note 10)	1,556,896	(337,416)
- Provision for impairment of trade receivables (Note 3.1)	16,122	145,683
- Finance income (Note 11)	(10,964)	(18,614)
- Finance expense (Note 11)	2,911,679	5,240,550
- Share of results of joint ventures (Note 17)	(2,791,027)	(1,347,000)
- Provision for impairment for goodwill (Note 15)	-	33,511,315
- Fair value gain on contingent consideration (Note 10)	-	(413,276)
	<u>9,207,453</u>	<u>7,743,427</u>
Changes in working capital:		
- Inventories	3,468,849	9,626,986
- Trade receivables	1,722,600	(3,247,751)
- Contract assets	1,941,638	23,311
- Prepayments, deposits and other receivables	109,845	48,149
- Trade payables	(5,625,492)	(13,099,789)
- Contract liabilities	(1,511,533)	464,987
- Other payables and accruals	(5,603,426)	5,412,081
- Balances with related parties	(13,296,586)	17,322,774
	<u>(9,586,652)</u>	<u>24,294,175</u>
Cash (used in)/generate from operations	<u>(9,586,652)</u>	<u>24,294,175</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Reconciliation of liabilities arising from financial activities

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings HK\$	Leases liabilities HK\$	Bank borrowings HK\$	Total HK\$
Balance as at 1 January 2020	(85,603,517)	(5,923,851)	-	(91,527,368)
Cash flows	(1,000,000)	2,127,794	-	1,127,794
Acquisition - lease	-	(1,272,298)	-	(1,272,298)
Interest accrued	(3,875,293)	(305,403)	-	(4,180,696)
Foreign exchange adjustments	-	(369,670)	-	(369,670)
Balance as at 31 December 2020	(90,478,810)	(5,743,428)	-	(96,222,238)
Cash flows	-	2,498,230	(4,589,000)	(2,090,770)
Interest accrued	(2,303,999)	(166,599)	-	(2,470,598)
Foreign exchange adjustments	-	(155,123)	-	(155,123)
Lease modification	-	1,278,614	-	1,278,614
Balance as at 31 December 2021	(92,782,809)	(2,288,306)	(4,589,000)	(99,660,115)

27 Shareholder's loan

	2021 HK\$	2020 HK\$
Shareholder's loan	92,782,809	90,478,810

On 29 August 2016, ECG entered into an agreement with JL Enterprises Holdings Limited, ECG's ultimate holding company, wholly owned by Mr. John Lau, the Executive Chairman of ECG. Pursuant to the agreement, JL Enterprises Holdings Limited agreed, to provide a loan facility in an aggregate amount of up to HK\$50 million to support 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 2021, the carrying amount of the shareholder's loan from JL Enterprises Holdings Limited amounted to HK\$92,789,809 (2020: HK\$90,478,810), representing the outstanding principal amounts and interest accrued thereon.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Shareholder's loan (Continued)

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. As at 31 December 2021, ECG and JL Enterprises Holdings Limited mutually agreed that the shareholder's loan is not required to be repaid in the next twelve months from the reporting date. There is no repayment on demand clause in the shareholder's loan agreement.

The carrying amount of shareholder's loan approximates to its fair value and is denominated in HK\$.

The weighted average interest rate of the shareholder's loan bear average coupon rate of 2.8% per annum (2020: 5% per annum).

28 Bank Borrowing

	As at 31 December 2021 HK\$	As at 31 December 2020 HK\$
Current Bank borrowing	4,589,000	-

As at 31 December 2021, the Group's bank borrowing was interest bearing at the Hong Kong Best Lending Rate minus 2.25% per annum and secured by personal guarantee given by the Executive Chairman of the Company. The bank borrowing was dominated in HK\$.

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

The weighted average interest rate of the bank borrowing was 2.3% per annum (2020: Nil).

According to the repayment schedule of the bank borrowing, without considering the repayable demand clause, bank borrowing was repayable as follows:

	As at 31 December 2021 HK\$
Within 1 year	915,357
Between 1 and 2 years	1,125,933
Between 2 and 5 years	2,547,710
	<u>4,589,000</u>

The bank borrowing does not have any terms of financial covenant.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Related party transactions

JL Enterprise Holding Limited, a company incorporated in the Cayman Islands and wholly owned by Mr. John Lau, the Executive Chairman of ECG, is being regarded as the ultimate holding company of the Group and of the Company. Chess Depositary Nominees Pty Ltd., a company incorporated in Australia is being regarded as the immediate holding company of the Group and of the Company.

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

Name of related party	Relationship with ECG
Mr. John Lau	Executive Director/Executive Chairman
Mr. Rupert Myer AO	Independent Non-executive Director
Mr. Lam Von Villy Mendoza	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 Services (China) 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 Investment Limited	Controlled by Mr. John Lau
CN Logistics Limited	Controlled by Mr. John Lau
CN Logistics Limited (HK)	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
深圳市看我商贸服务有限公司	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 Limited	Joint venture
PJF Wines Limited	Joint venture
Mellow Asia Limited	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:

	2021 HK\$	2020 HK\$
(a) Revenue – note (i)		
Sales of software development services:		
- Cargo Services Far East Limited	2,400,000	2,400,000
IT Consultancy revenue		
- Cargo Services Far East Limited	2,851,970	-
(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
- Cargo Service (China) Limited	3,389,465	3,508,069
- CN Logistics Limited	148,830	1,600,824
Lease payment/rental expense:		
- Cargo Services Far East Limited	130,752	185,340
	4,269,047	5,902,095
(c) Key Management compensation – note (ii)		
Details of the Key Management compensation are disclosed in Note 9 to this consolidated financial statement.		

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Related party transactions (Continued)

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

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

	2021 HK\$	2020 HK\$
- Allport Cargo Services Limited	486,828	192,739
- PJF Wines (HK) Limited	1,498,830	-
- 深圳市看我商貿服務有限公司	2,655,997	1,370,597
- 深圳市一全通电子商务有限公司	6,720	5,061
Amounts due from related parties	<u>4,648,375</u>	<u>1,568,397</u>
Current		
- Cargo Services Far East Limited	(184,211)	(14,629,815)
- Cargo Services (China) Limited	(23,400,637)	(18,925,855)
- CN Logistics Limited	-	(1,219,623)
- CN Logistics Limited (HK)	(55,163)	(2,354)
- CS China Logistics Limited	(717,922)	(768,686)
- EC-GO eCommerce Limited	-	(4,413,207)
- Dreamtown International Ltd	(4,430,549)	(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>(28,788,482)</u>	<u>(43,430,417)</u>
Non-current		
- EC-GO eCommerce Limited – note (iv)	(4,413,207)	-
Amounts due to related parties	<u>(33,201,689)</u>	<u>(43,430,417)</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) Shareholder's loan

	Total HK\$
At 1 January 2020	85,603,517
Loan advanced during the year	1,000,000
Interest charged	3,875,293
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At 31 December 2020	90,478,810
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At 1 January 2021	90,478,810
Interest charged	2,303,999
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At 31 December 2021	92,782,809
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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\$.
- (iv) The amount of HK\$4,413,207 due to EC-GO eCommerce Limited ("EC-GO") was classified as a non-current liability as at 31 December 2021 for which ECG and EC-GO mutually agreed that the amount is not required to be repaid in the next twenty-four months from the reporting date.

30 Put option liabilities

On 25 February 2019, ECG acquired 85% interest in MES Group. In connection with the acquisition, a put option to sell the remaining 15% equity interest in MES Group was granted to Metcash Limited ("Metcash"), the original shareholders. Metcash may exercise the put option at any time on and from the date that is 18 months after the completion date. The put option has no expiry date.

Management has recognised the put option as a financial liability in the statement of financial position as a reduction of equity attributable to non-controlling interest and accounted for MES Group as 100% owned since the date of acquisition. As such, ECG has not recognised any non-controlling interest in respect of the remaining 15% equity interest legally held by Metcash.

The exercise price of the put option is at a fixed price plus 15% of the net assets value at the acquisition date. It is recognised as a financial liability in the statement of financial position and carried at amortised cost.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Statement of financial position and reserve movement of the Company

	Note	2021 HK\$	2020 HK\$
Assets			
Non-current assets			
Property, plant and equipment		-	-
Intangible assets		-	-
Investments in subsidiaries		30,357,562	30,357,562
		<u>30,357,562</u>	<u>30,357,562</u>
Current assets			
Amount due from a related party		1,170	-
Cash and cash equivalents		4,229	4,889
		<u>5,399</u>	<u>4,889</u>
Total assets		<u>30,362,961</u>	<u>30,362,451</u>
Equity			
Equity attributable to owners of the Company			
Share capital		427,820,968	427,820,968
Accumulated losses	a	(495,278,796)	(489,382,770)
Total deficit		<u>(67,457,828)</u>	<u>(61,561,802)</u>
Liabilities			
Non-current liability			
Shareholder's loan		92,782,809	90,478,810
Current liabilities			
Amounts due to subsidiaries		3,429,811	1,052,475
Amounts due to related parties		1,244,948	-
Other payables and accruals		363,221	392,968
		<u>5,037,980</u>	<u>1,445,443</u>
Total liabilities		<u>97,820,789</u>	<u>91,924,253</u>
Total deficit and liabilities		<u>30,362,961</u>	<u>30,362,451</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note:

(a) Reserve movement of the Company

	Accumulated losses HK\$
As at 1 January 2020	(449,920,555)
Loss for the year	(39,462,215)
	<hr/>
As at 31 December 2020 and 1 January 2021	(489,382,770)
Loss for the year	(5,896,026)
	<hr/>
As at 31 December 2021	<u>(495,278,796)</u>