

eCARGO HOLDINGS LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015



eCARGO HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors of eCargo Holdings Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively "ECG") for the year ended 31 December 2015.

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

Principal Activities

The principal activities of ECG are the development and provision of eCommerce technologies, integrated offline and online supply chain operations, and provision of digital commerce solutions services in the People's Republic of China (the "PRC"), Hong Kong, Australia and New Zealand. The activities of the subsidiaries are set out in Note 15 to the consolidated financial statements.

Results and Appropriations

The results of ECG for the year are set out in the consolidated statement of comprehensive income on page 11.

The Directors do not recommend the payment of a dividend.

Share Capital and Debentures Issued

No shares and debentures were issued by the Company in the year ended 31 December 2015.

Equity-linked Agreements

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

Directors and Senior Management

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

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

Executive Directors

Mr. John Lau

Mr. Christopher Lau

Independent Non-Executive Directors

Mr. Rupert Myer AO

Mr. Christopher Ryan

Mr. Heath Zarin

(collectively, the "Board of Directors")

In accordance with Article 24 of the Company's Articles of Association, Mr. Christopher Lau and Mr. Christopher Ryan retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

eCARGO HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

Directors and Senior Management (Continued)

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. Christopher Lau and Mr. John Lau are also Directors in certain subsidiaries of the Company. Other Directors of the Company's subsidiaries during the year and up to the date of this report are: Mr. Jason Byrne, Mr. Gavin Custance and Mr. Justus Wilde.

(c) Senior Management

The following executives comprise Senior Management of ECG:

Executive Management

Mr. John Lau, Executive Chairman
Mr. Christopher Lau, Chief Executive Officer
Mr. Franc Renzi, Chief Operating Officer
Mr. Garnok Cheung, Chief Financial Officer
Mr. Justus Wilde, Chief Strategy Officer

The Executive Directors and Senior Management are ECG's Chief Operating Decision Makers ("CODM" or "Management").

Operations Review

For the year ended 31 December 2015, ECG generated revenue of HK\$118.1 million.

ECG generated gross profit of HK\$61.2 million for the year and reported an EBITDA loss excluding impact of foreign exchange¹ of HK\$26.5 million.

As at 31 December 2015, there were 535,000,000 shares on issue and net assets amounted to HK\$238.1 million, which would convert to a net asset backing of HK\$44.5 cents per share.

During the year, ECG was successful in expanding its services to a growing portfolio of international brands and merchants. Operating costs incurred to date were aligned with Management expectations and represented ECG's growth strategy in developing the organisation and continuous investment and development of scalable eOperation and eCommerce and eMarketplace technologies.

On 13 February 2015, eCargo Enterprise Limited ("eCargo"), a wholly owned subsidiary of the Company, completed the acquisition of 100% of the issued share capital of a leading Australian eCommerce solutions company, Amblique Pty Limited ("Amblique") for A\$6.0 million (equivalent to HK\$36.3 million). The integration of Amblique has progressed well during the year, providing expanded services and solutions offerings to ECG's existing merchants together with achieving greater reach into Australia and New Zealand. ECG will continue to seek investment opportunities which provide synergy and value for ECG and its shareholders.

¹ EBITDA loss excluding impact of foreign exchange represents loss before income tax, depreciation of property, plant and equipment, amortisation of intangible assets, gain/loss on disposal of property, plant and equipment, interest income and ECG's share of loss of an associate. While EBITDA is commonly used as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of ECG's EBITDA may not be comparable to similarly titled measures of other companies.

eCARGO HOLDINGS LIMITED**DIRECTORS' REPORT (CONTINUED)****Financial Review**

	Year ended / As at 31 December 2015 HK\$	Prior corresponding period HK\$	Percentage change %
Revenue from ordinary operations	118,083,994	22,571,718	423%
Loss after income tax expense	(52,904,861)	(36,761,362)	44%
Total comprehensive loss attributable to owners of the Company	(54,491,129)	(36,761,362)	48%
EBITDA loss excluding impact of foreign exchange	(26,506,206)	(24,408,316)	9%
Total assets	286,023,477	309,884,347	-8%
Net assets	238,148,794	292,639,923	-19%

The CODM assesses and measures the operating performance of ECG based on the revenue and EBITDA (excluding net foreign exchange loss) as Management believes that such information is the most relevant in evaluating the results of ECG.

ECG achieved a solid revenue performance of HK\$118.1 million for the year ended 31 December 2015, a 423% increase from prior year period. The increase reflects the strong interest by global brands towards expansion in the PRC and the Asia Pacific region.

ECG reported an EBITDA loss excluding impact of foreign exchange of HK\$26.5 million, 9% higher than prior year period. ECG incurred a loss per share of HK\$0.099 for the year.

The Company did not propose any dividend distribution or share buy-back during the year ended 31 December 2015.

For a more detailed review of the performance of ECG, please refer to its 2015 full year financial results announcement released on 29 February 2016.

Major Customers

For the year ended 31 December 2015, the five largest customers of ECG accounted for approximately 36% of ECG's total revenue. There is no single customer contributing 10% or more of ECG's total revenue.

eCARGO HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

Environmental Policy and Regulation

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

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

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

Key Risk Factors

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

Risks related to ECG's businesses and risks related to the industry in which ECG operates.		
Risk	Description of risk	Risk mitigation strategies
<i>Risk that ECG's marketing strategy to recruit merchants is not effective.</i>	There are risks that ECG's marketing strategy to engage merchants is not successful. This would result in ECG failing to meet revenue targets and have a material and adverse effect on the operating results of ECG.	ECG has a clear marketing strategy in place. In the event such a marketing strategy proves to be unsuccessful, ECG shall refocus and look to qualified professional advisors in the industry to assist to refine its marketing strategy.
<i>Risk that ECG's merchants' online revenues are below expectations.</i>	There is a risk that ECG's merchants do not achieve online revenues according to expectations driven by a number of factors including but not limited to the marketing strategy deployed, merchandise mix, product availability and pricing. This would result in ECG failing to meet revenue targets and have a material and adverse effect on the operating results of ECG.	ECG has tried to mitigate this risk by redefining its target merchant pipeline and focusing marketing efforts on merchants who have a proven product and well-recognised brands that are relatively more likely to succeed in generating online sales. ECG shall continue to monitor this closely and allocate appropriate resources in accordance with merchants' online sales activity and potential.

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DIRECTORS' REPORT (CONTINUED)

Risk Factors (Continued)

Risks related to ECG's businesses and risks related to the industry in which ECG operates.		
Risk	Description of risk	Risk mitigation strategies
<i>Risk that ECG's intellectual property may be used without authorisation or stolen.</i>	<p>ECG relies on a combination of copyright, nondisclosure agreements and other methods to protect its intellectual property rights.</p> <p>To protect its trade secrets and other proprietary information, employees, consultants, advisors and collaborators are required to enter into confidentiality agreements. These agreements might not provide meaningful protection for the trade secrets, know-how or other proprietary information in the event of any unauthorised use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information.</p>	<p>ECG has tried to mitigate the risk of unauthorised use of intellectual property by only disclosing sensitive intellectual property to particular employees, consultants, advisors, collaborators and merchants on a "needs to know basis". ECG requires all such employees, consultants, advisors, collaborators and merchants to enter into confidentiality agreements to protect the confidentiality of such intellectual property. Where necessary ECG will enforce its intellectual property rights through litigation or arbitration.</p> <p>In regards to all new merchants, ECG will ensure that robust intellectual property safeguards are contained in their respective Service Agreements.</p>
<i>Risk that increases in wages will increase net cash outflow and gross margin and net profit may decline.</i>	<p>In recent years, wages particularly in the PRC's eCommerce industry have increased and may continue to increase at faster rates. Wage increases will increase ECG's personnel cost and cost of operations. As a result, ECG's gross margin and net profit may decline.</p>	<p>ECG pays employees market competitive rates in order to attract and retain skilled employees. ECG will, however, try to offset increases in wages by increases in efficiency and productivity.</p>
<i>Risk that some of ECG's operating subsidiaries generate operating losses for a longer period than expected.</i>	<p>There are risks that some of ECG's operating subsidiaries continue to generate operating losses for a longer period of time than expected. This would result in a decreasing net cash position for ECG, which could have material and adverse effect on the ability for ECG to operate and ability to make investments in businesses as those investment opportunities arise.</p>	<p>ECG will monitor each operating subsidiary and set business plans for each line of business to be accounted for by Management. In the event that the delivery of the business plans for any business line proves to be consistently unsuccessful, ECG shall refocus on the lines of business which operate relatively more profitably at ECG.</p>

eCARGO HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

Risk Factors (Continued)

Risks related to ECG's businesses and risks related to the industry in which ECG operates.		
Risk	Description of risk	Risk mitigation strategies
<i>Uncertainties with respect to the PRC legal system could have a material adverse effect on ECG.</i>	<p>The legal system in the PRC is based on written statutes. Since the late 1970s, the PRC Central Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in the PRC.</p> <p>ECG conducts a substantial amount of its business through subsidiaries established in Hong Kong and the PRC. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in the PRC. However, as the legal system in the PRC continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit the legal protections available to ECG.</p>	<p>Uncertainties with respect to the PRC's legal system is beyond the control of ECG or the Directors. The evolution of this is closely monitored by the Directors. That said, in regards to eTailing, the PRC Central Government has promulgated in its most recent 5 year plan supporting eTailing as the future of retailing in the PRC. As such, it appears that the political environment in the PRC is currently favourable towards the industry sector in which ECG operates.</p>
<i>The continued growth of the PRC's internet market depends on the establishment of an adequate telecommunication infrastructure.</i>	<p>Although private sector internet service providers currently exist in the PRC, almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology. eCommerce transactions rely on this infrastructure to provide data communications capacity primarily through local telecommunications lines. Although the PRC Central Government has announced plans to develop aggressively the national information infrastructure, ECG cannot assure that this infrastructure will be developed as planned or at all.</p>	<p>Uncertainties with respect to telecommunications infrastructure in the PRC is a risk which is beyond the control or mitigation of ECG.</p>

eCARGO HOLDINGS LIMITED**DIRECTORS' REPORT (CONTINUED)****Directors' Interest in Shares/Chess Depository Interests ("CDIs")**

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

Director	Number of Shares and equivalent CDIs held directly	Number of Shares and equivalent CDIs held indirectly
Mr. Christopher Lau	8,142,460	Nil
Mr. John Lau	Nil	396,872,460
Mr. Rupert Myer AO	Nil	9,000,000
Mr. Christopher Ryan	Nil	225,000
Mr. Heath Zarin	Nil	Nil

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

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

No transactions, arrangements and contracts of significance in relation to ECG's business to which the specified undertaking of ECG was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

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

Management Contracts

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

Permitted Indemnity Provisions

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

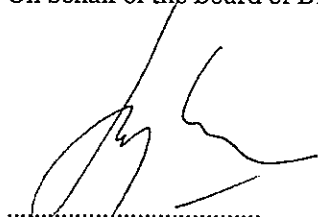
eCARGO HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

Auditor

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

On behalf of the Board of Directors,

A handwritten signature in black ink, consisting of a large loop followed by a series of smaller, connected strokes.

.....
Mr. John Lau
Executive Chairman

A handwritten signature in black ink, featuring a large, stylized 'C' followed by a series of connected strokes.

.....
Mr. Christopher Lau
Executive Director

Hong Kong, 29 March 2016

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF eCARGO HOLDINGS LIMITED**
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of eCargo Holdings Limited (the "Company") and its subsidiaries set out on pages 11 to 64, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF eCARGO HOLDINGS LIMITED (CONTINUED)
(incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2016

eCARGO HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
	Note		
Revenue	6	118,083,994	22,571,718
Cost of sales	7	(56,880,536)	(13,735,009)
Gross profit		61,203,458	8,836,709
Selling and distribution expenses	7	(7,164,245)	(1,825,646)
Administrative expenses	7	(80,967,921)	(32,775,180)
Research and development expenses	7	(14,552,032)	(5,007,679)
Operating loss		(41,480,740)	(30,771,796)
Other losses – net	10	(10,832,639)	(6,428,291)
Interest income		1,096,227	438,725
Share of loss of an associate	16	(780,992)	-
Loss before income tax		(51,998,144)	(36,761,362)
Income tax expense	11	(906,717)	-
Loss for the year/period		(52,904,861)	(36,761,362)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		(1,586,268)	-
Total comprehensive loss for the year/period		(54,491,129)	(36,761,362)
Loss per share for loss attributable to owners of the Company			
- Basic and diluted (HK cents per share)	12	(9.89)	(9.18)

The notes on pages 16 to 64 are an integral part of these consolidated financial statements.

eCARGO HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Note	2015 HK\$	2014 HK\$
Assets			
Non-current assets			
Property, plant and equipment	13	5,601,664	1,121,279
Intangible assets	14	125,182,970	98,875,000
Interest in an associate	16	5,213,814	-
Deferred income tax assets	23	1,581,322	-
Deposits	19	620,486	-
		<u>138,200,256</u>	<u>99,996,279</u>
Current assets			
Trade receivables	18	31,338,989	15,098,667
Prepayments, deposits and other receivables	19	8,612,894	3,718,513
Amounts due from related parties	28	10,539,228	-
Cash and cash equivalents	20	97,332,110	191,070,888
		<u>147,823,221</u>	<u>209,888,068</u>
Total assets		<u><u>286,023,477</u></u>	<u><u>309,884,347</u></u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	24	329,401,285	329,401,285
Currency translation reserve		(1,586,268)	-
Accumulated losses		(89,666,223)	(36,761,362)
Total equity		<u><u>238,148,794</u></u>	<u><u>292,639,923</u></u>

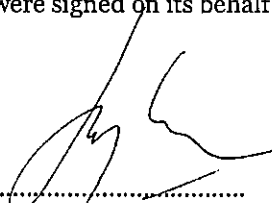
eCARGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2015

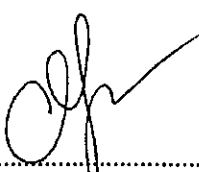
	Note	2015 HK\$	2014 HK\$
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	23	4,121,759	-
		-----	-----
Current liabilities			
Trade payables	21	6,105,108	935,707
Other payables and accruals	21	23,933,849	5,516,386
Amounts due to related parties	28	11,043,037	10,792,331
Obligation under finance lease	22	270,227	-
Income tax payable		2,400,703	-
		-----	-----
		43,752,924	17,244,424
		-----	-----
Total liabilities		47,874,683	17,244,424
		=====	=====
Total equity and liabilities		286,023,477	309,884,347
		=====	=====

The notes on pages 16 to 64 are an integral part of these consolidated financial statements.

The financial statements on pages 11 to 64 were approved by the Board of Directors on 29 March 2016 and were signed on its behalf by:



 Mr. John Lau
 Executive Chairman



 Mr. Christopher Lau
 Executive Director

eCARGO HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital HK\$	Currency translation reserve HK\$	Accumulated losses HK\$	Total equity HK\$
Balance at 22 April 2014 (date of incorporation)	-	-	-	-
Comprehensive loss for the period	-	-	(36,761,362)	(36,761,362)
Transactions with owners in their capacity of owners				
Issuance of shares (Note 24)	344,815,350	-	-	344,815,350
Share issuance costs (Note 24)	(15,414,065)	-	-	(15,414,065)
Total transactions with owners of the Company recognised directly in equity	329,401,285	-	-	329,401,285
Balance at 31 December 2014	329,401,285	-	(36,761,362)	292,639,923
Balance at 1 January 2015	329,401,285	-	(36,761,362)	292,639,923
Comprehensive loss				
Loss for the year	-	-	(52,904,861)	(52,904,861)
Other comprehensive loss				
Currency translation differences				
- ECG	-	(1,412,199)	-	(1,412,199)
- Associate	-	(174,069)	-	(174,069)
Total comprehensive loss for the year	-	(1,586,268)	(52,904,861)	(54,491,129)
Balance at 31 December 2015	329,401,285	(1,586,268)	(89,666,223)	238,148,794

The notes on pages 16 to 64 are an integral part of these consolidated financial statements.

eCARGO HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
	Note		
Cash flows from operating activities			
Cash used in operations	26	(45,382,782)	(28,055,572)
Income tax paid		(827,974)	-
Net cash used in operating activities		(46,210,756)	(28,055,572)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(5,044,107)	(268,509)
Purchase of intangible assets	14	(2,191,160)	-
Proceeds of disposal of property, plant and equipment		136,347	-
Acquisition of subsidiary, net of cash acquired	25	(25,485,652)	-
Acquisition of an associate	16	(6,168,875)	-
Interest received		1,096,227	438,725
Net cash (used in)/generated from investing activities		(37,657,220)	170,216
Cash flows from financing activities			
Repayments of obligation under finance lease		(259,765)	-
Proceeds from issuance of shares	24	-	238,724,100
Professional expenses paid in connection with the Company's listing		-	(15,414,065)
Net cash generated from financing activities		(259,765)	223,310,035
Net increase in cash and cash equivalents		(84,127,741)	195,424,679
Cash and cash equivalents at beginning of year/period		191,070,888	-
Exchange loss on cash and cash equivalents		(9,611,037)	(4,353,791)
Cash and cash equivalents at end of year/period	20	97,332,110	191,070,888

The notes on pages 16 to 64 are an integral part of these financial statements.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company and its subsidiaries, collectively, ECG are principally engaged in the development and provision of eCommerce technologies, integrated offline and online supply chain operations, and provision of digital commerce solutions and services.

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

These consolidated financial statements are presented in HK\$, unless otherwise stated.

2 Summary of significant accounting policies

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 periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS 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.

- (a) The following new and amended standards have been issued but are not yet effective and have not been early adopted:

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined by the IASB
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (a) The following new and amended standards have been issued but are not yet effective and have not been early adopted: (Continued)

		Effective for annual periods beginning on or after
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

ECG has not early adopted these new and amended standards in the consolidated financial statements for the year. ECG plans to apply the above new and amended standards when they become effective. ECG has already commenced an assessment of the impact of these new and amended standards, which are relevant to the ECG's operation and may give rise to changes in accounting policies, disclosure or measurement of certain items in the consolidated financial statements. However, ECG is not yet in a position to ascertain their impact on its results of operations and financial position.

The HKICPA has also published a number of amendments to the existing standards and interpretations under its annual improvements project. These amendments are not expected to have a significant financial impact on the results of operations and financial position of ECG.

- (b) New Hong Kong Companies Ordinance (Cap. 662)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 662) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination

ECG applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by ECG. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

ECG recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by ECG is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the interim condensed consolidated income statement.

Intra-company transactions, balances, income and expenses on transactions between ECG companies are eliminated.

2.2.2 Separate financial statements

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2.2 Separate financial statements (Continued)

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 period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

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

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

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

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

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

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

2.4 Segment reporting

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 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 financial statements are presented in HK\$ which is the Company’s functional and presentation currency and ECG’s presentation currency.

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

2.6 Property, plant and equipment

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

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 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 remaining lease term and useful life
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	33.33%
Motor vehicle	33.33%

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

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

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

2.7 Intangible assets

(a) Goodwill

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

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

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

(b) Brand name

The brand name acquired in a business combination is recognised at fair value at the acquisition date. The brand has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over its estimated useful life of 7 years.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(c) Contractual customer relationships

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

(d) Software

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

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

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

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

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

2.8 Impairment of non-financial assets

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Financial assets

ECG classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. ECG's loans and receivables comprise trade receivables, deposits and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

2.10 Impairment of financial assets - assets carried at amortised cost

ECG assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, ECG may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Trade and other receivables

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

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.12 Cash and cash equivalents

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

2.13 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.

2.14 Trade and other payables

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

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

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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 and 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

Inside basis differences

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

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.15 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

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

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

(d) Offsetting

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

2.16 Employee benefits

(a) Employee leave entitlements

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

(b) Bonus plan

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

(c) Pension obligations

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

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

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

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.16 Employee benefits

(c) Pension obligation (Continued)

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

2.17 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.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services, in the ordinary course of ECG's activities.

ECG recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to ECG; and when specific criteria have been met for each of ECG's activities, as described below.

Sales of services

For sales of services, revenue is recognised in the accounting period in which the services are rendered or by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.19 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, ECG reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.20 Leases

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

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

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

3 Financial risk management

3.1 Capital management

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

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

3.2 Credit risk

At the date of the consolidated financial position, 48% (2014: 78%) of the total receivable was due from ECG's largest five debtors. Accordingly, ECG's consolidated results would be heavily affected by the financial capability of these debtors to fulfill their obligations with ECG. ECG's credit risk monitoring activities relating to the debtors include review of the credit profile, business prospects, background and their financial capacity.

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Liquidity risk

ECG adopts prudent liquidity risk management and maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The contractual undiscounted cash flows of ECG's financial liabilities, which include trade and other payables and amounts due to related parties, are due within 12 months and approximate their carrying amounts as the impact of discounting is not significant.

3.4 Foreign exchange risk

ECG mainly operates in Hong Kong, the PRC and Australia, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB"), Australian Dollars ("A\$"), United States Dollars ("US\$"), British Pound Sterling ("GBP"), Singapore Dollars ("SG\$"), 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 2015, if HK\$ had strengthened/weakened by 5% against the A\$ with all other variables held constant, post-tax profit for the year would change by approximately HK\$38,000 (2014: HK\$4,699,000), mainly as a result of foreign exchange gains/losses on translation of the bank deposits and trade receivables denominated in A\$.

At 31 December 2015, if HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax profit for the year would change by approximately HK\$2,143,000 (2014: HK\$460,000), mainly as a result of foreign exchange gains/losses on translation of the trade receivables denominated in the RMB.

At 31 December 2015, if HK\$ had strengthened/weakened by 5% against the SG\$ with all other variables held constant, post-tax profit for the year would change by approximately HK\$65,000 (2014: Nil), mainly as a result of foreign exchange gains/losses on translation of the bank deposits and trade receivables denominated in SG\$.

At 31 December 2015, if HK\$ had strengthened/weakened by 5% against the NZ\$ with all other variables held constant, post-tax profit for the year would change by approximately HK\$185,000 (2014: Nil), mainly as a result of foreign exchange gains/losses on translation of the trade receivables denominated in the NZ\$.

At 31 December 2015, if HK\$ had strengthened/weakened by 5% against the GBP with all other variables held constant, post-tax profit for the year would change by approximately HK\$60,000 (2014: Nil), mainly as a result of foreign exchange gains/losses on translation of the trade receivables denominated in the GBP.

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

3.5 Cash flow and fair value interest rate risk

As ECG has no material interest-bearing assets and liabilities, its income and operating cash flows are substantially independent of changes in market interest rates. Therefore, ECG is not exposed to significant cash flow and fair value interest rate risk.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.6 Fair value estimation

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

4 Critical accounting estimates and judgments

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

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

(a) Determination of functional currency

ECG measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of ECG companies, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of goods and services. The functional currencies of ECG companies are determined based on Management's assessment of the economic environment in which the entities operate and the entities' process of determining the sales prices.

(b) 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 an associate.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments (Continued)

(c) Impairment of long-lived assets (Continued)

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.

(d) Estimated useful lives of intangible assets

Management determines the estimated useful lives and related amortisation charges for its intangible assets. Management will revisit the amortisation charge where useful lives are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Purchase price allocation for business combination

Accounting for business combinations requires Management to allocate the cost of the acquisition to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. In connection with each business combination, Management undertakes a process to identify all assets and liabilities acquired, including any identified intangible assets where appropriate. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets useful lives, may materially impact ECG's financial position and results of operation. In determining the fair values of the identifiable assets acquired and liabilities assumed, a valuation was conducted by an independent valuer and estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by Management.

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 Board of Directors for the purpose of allocating resources and assessing performance.

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

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

	Greater China HK\$	Australia HK\$	2015 Eliminations HK\$	Consolidated HK\$
Revenue				
External revenue	58,264,131	59,819,863	-	118,083,994
Gross profit	16,257,925	44,945,533	-	61,203,458
Results				
EBITDA – excluding foreign exchange loss	(31,650,220)	5,144,015	-	(26,506,206)
	Greater China HK\$	Australia HK\$	2014 Eliminations HK\$	Consolidated HK\$
Revenue				
External revenue	22,571,718	-	-	22,571,718
Gross profit	8,836,709	-	-	8,836,709
Results				
EBITDA – excluding foreign exchange loss	(24,408,316)	-	-	(24,408,316)

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

A reconciliation of total segment EBITDA to loss before income tax is provided as follows:

	2015 HK\$	2014 HK\$
Total segment EBITDA – excluding foreign exchange loss	(26,506,206)	(24,408,316)
Net foreign exchange loss	(10,832,639)	(6,428,291)
Gain on disposal of property, plant and equipment	44,739	-
Depreciation of property, plant and equipment	(1,561,098)	(238,480)
Amortisation of intangible assets	(13,458,175)	(6,125,000)
Interest income	1,096,227	438,725
Share of loss of an associate	(780,992)	-
	<u>(51,998,144)</u>	<u>(36,761,362)</u>

The following table sets out information about the geographical location of ECG's revenue from external customers.

	2015 HK\$	2014 HK\$
Revenue from external customers		
Greater China	58,264,131	22,571,718
Australia and New Zealand	59,819,863	-
	<u>118,083,994</u>	<u>22,571,718</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (Continued)

Assets

		2015	Additions to non-current assets (excluding additions upon business acquisition)
	Total assets HK\$	Interest in associate HK\$	HK\$
Greater China	221,522,132	5,213,814	5,094,328
Australia	62,920,022	-	2,409,063
	<u>284,442,154</u>	<u>5,213,814</u>	<u>7,503,391</u>
Deferred income tax assets	1,581,322		
	<u>286,023,476</u>		

		2014	Additions to non-current assets
	Total assets HK\$	Interest in associate HK\$	HK\$
Greater China	309,884,347	-	11,859,759

Liabilities

	2015 HK\$	2014 HK\$
Greater China	17,078,149	17,244,424
Australia	26,674,775	-
	<u>43,752,924</u>	<u>17,244,424</u>
Deferred income tax liabilities	4,121,758	-
Total liabilities	<u>47,874,683</u>	<u>17,244,424</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (Continued)

Information about major customers

For the year ended 31 December 2015, there is no single external customer contributing 10% or more of ECG's total revenue.

For the period ended 31 December 2014, the analysis of revenue from customers contributing 10% or more of ECG's total revenue is as follows:

	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Customer A	6,895,503
Customer B	2,976,645
Customer C	<u>2,959,492</u>

6 Revenue

Service income recognised during the year or period was as follows:

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Revenue		
- Service income	<u>118,083,994</u>	<u>22,571,718</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Expenses by nature

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Outsourced services fulfilment expenses, included in cost of sales	40,390,832	10,606,450
Outsourced web development and IT consultation costs, included in cost of sales	5,316,223	3,128,559
Subscription expense for software application, included in cost of sales	11,173,481	-
Auditor's remuneration	1,380,000	721,500
Employee benefit expenses (Note 8)	64,297,275	11,720,032
Outsourced labour costs (Note 28)	3,700,700	7,918,900
Amortisation of intangible assets (Note 14)	13,458,175	6,125,000
Depreciation of property, plant and equipment (Note 13)	1,561,098	238,480
Legal and professional expenses	4,175,524	10,946,043
Travel expenses	3,850,341	1,354,720
Operating leases rental	4,058,568	275,573
IT expenses	1,097,412	99,961
Marketing expenses	1,660,075	66,334
Utilities and maintenance expenses	445,128	63,646
Telecommunication expenses	406,256	43,492
Insurance expenses	203,357	339
Gain on disposal of property, plant and equipment	(44,739)	-
Provision for impairment of trade receivables (Note 18)	3,016	-
Other expenses	2,432,012	34,485

8 Employee benefit expenses (including Directors' emoluments)

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Wages and salaries	60,752,916	11,473,398
Pension costs	2,836,891	212,459
Other employee benefits and welfare	707,468	34,175
	<u>64,297,275</u>	<u>11,720,032</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 2015:

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

	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking						
	<u>Fees</u>	<u>Salary</u>	<u>Others*</u>	<u>Employer's contribution to a retirement benefit scheme</u>	<u>Remunerations paid or receivable in respect of accepting office as Director</u>		<u>Total</u>
	HK\$	HK\$	HK	HK\$	HK\$	HK\$	HK\$
Mr. John Lau	432,000	-	-	-	-	-	432,000
Mr. Christopher Lau	432,000	1,742,000	-	18,000	-	-	2,192,000
Mr. Rupert Myer AO#	408,816	-	-	-	-	-	408,816
Mr. Christopher Ryan#	350,414	-	-	-	-	-	350,414
Mr. Heath Zarin#	408,816	-	-	-	-	-	408,816
	<u>2,032,046</u>	<u>1,742,000</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>3,792,046</u>

#: Independent Non-Executive Directors

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

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 period ended 31 December 2014:

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

				Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	<u>Fees</u>	<u>Salary</u>	<u>Others*</u>	<u>scheme</u>	<u>as Director</u>		
	HK\$	HK\$	HK	HK\$	HK\$	HK\$	HK\$
Mr. John Lau ¹	216,000	-	-	-	-	-	216,000
Mr. Christopher Lau ²	216,000	1,072,000	-	9,000	-	-	1,297,000
Mr. Rupert Myer AO# ³	204,460	-	-	-	-	-	204,460
Mr. Christopher Ryan# ⁴	211,180	-	-	-	-	-	211,180
Mr. Heath Zarin# ⁴	240,460	-	-	-	-	-	240,460
	<u>1,088,100</u>	<u>1,072,000</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>2,169,100</u>

#: Independent Non-Executive Directors

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

1: Appointed on 9 June 2014

2: Appointed on 22 April 2014

3: Appointed on 7 August 2014

4: Appointed on 9 June 2014

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

None of the Directors received or will receive any retirement benefits or termination benefits during the year (2014: 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 (2014: Nil).

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

No loans, quasi-loans and other dealing were made in favour of Directors, controlled bodies corporate by and connected entities with such Directors at the end of the year or at any time during the year (2014: Nil).

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

Other than those disclosed in Note 28 to the financial statements, no significant transactions, arrangements and contracts in relation to ECG's business to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10 Other losses - net

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Net foreign exchange loss	(10,832,639)	(6,428,291)

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax expense

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Current income tax		
- Australian corporate tax	2,303,028	-
Deferred income tax (Note 23)	(1,396,311)	-
Income tax expense	<u>906,717</u>	<u>-</u>

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2014: 16.5%). Subsidiary established in the PRC is subject to PRC corporate income tax at a rate of 25% (2014: Nil). No provision for Hong Kong profits tax and PRC corporate income tax has been made as ECG had no assessable profits for the year ended 31 December 2015 in Hong Kong and in the PRC (2014: Nil).

Subsidiaries established in Australia are subject to 30% income tax rate during the year (2014: Nil).

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

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Loss before income tax	<u>(51,998,143)</u>	<u>(36,761,362)</u>
Tax calculated at a domestic tax rates applicable (loss)/profits in the respective countries	(8,990,128)	(6,065,625)
Tax effect of:		
- Associate results reported net of tax	128,864	-
- Income not subject to tax	(143,460)	(72,390)
- Expenses not deductible for tax purposes	2,024,800	2,071,293
- Tax losses for which no deferred income tax assets were recognised	<u>7,886,641</u>	<u>4,066,722</u>
Income tax expense	<u>906,717</u>	<u>-</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Loss per share

(a) Basic

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

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Loss attributable to owners of the Company	52,904,861	36,761,362
Weighted average number of ordinary shares in issue	535,000,000	400,646,102
Basic loss per share (HK\$ cents per share)	9.89	9.18

(b) Diluted

Diluted loss per share for the year ended 31 December 2015 and for the period ended 31 December 2014 are equal to the basic loss per share as there are no potential dilutive ordinary shares outstanding during the year or period.

13 Property, plant and equipment

	Furniture and fixtures HK\$	Computer equipment HK\$	Office equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Total HK\$
Year ended 31 December 2015						
Opening net book amount	175,661	616,481	266,838	62,299	-	1,121,279
Additions	23,552	485,613	327,621	4,475,445	-	5,312,231
Business combination (Note 25)	407,806	218,277	-	-	362,876	988,959
Disposals	-	-	-	-	(91,608)	(91,608)
Depreciation charge (Note 7)	(73,085)	(463,491)	(177,482)	(787,036)	(60,004)	(1,561,098)
Currency translation differences	(28,242)	(19,134)	(907)	(98,325)	(21,491)	(168,099)
Closing net book amount	505,692	837,746	416,070	3,652,383	189,773	5,601,664
As at 31 December 2015						
Cost	601,189	1,395,729	619,281	4,515,868	239,592	7,371,659
Accumulated depreciation and impairment	(95,497)	(557,983)	(203,211)	(863,485)	(49,819)	(1,769,995)
Net book amount	505,692	837,746	416,070	3,652,383	189,773	5,601,664

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property, plant and equipment (Continued)

	Furniture and fixtures HK\$	Computer equipment HK\$	Office equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Total HK\$
As at 22 April 2014 (date of incorporation)						
Cost	-	-	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-	-	-
Net book amount	-	-	-	-	-	-
Period ended 31 December 2014						
Additions (Note a)	198,862	716,161	295,219	149,517	-	1,359,759
Depreciation charge (Note 7)	(23,201)	(99,680)	(28,381)	(87,218)	-	(238,480)
Closing net book amount	175,661	616,481	266,838	62,299	-	1,121,279
As at 31 December 2014						
Cost	198,862	716,161	295,219	149,517	-	1,359,759
Accumulated depreciation and impairment	(23,201)	(99,680)	(28,381)	(87,218)	-	(238,480)
Net book amount	175,661	616,481	266,838	62,299	-	1,121,279

Note:

- (a) On 28 May 2014, the Company issued 4,365,000 shares at the issue price of HK\$0.25 per share as consideration to acquire property, plant and equipment from CS Logistics Holdings Limited ("CS Logistics"). The property, plant and equipment received in exchange for shares was measured at fair value of those goods or services in accordance with HKFRS 2 – Share based payments. Management assessed the fair value of the acquired property, plant and equipment with reference to the market value of the property, plant and equipment; the fair value of the property, plant and equipment approximate the value of the share considerations. On 25 August 2014, CS Logistics transferred the shares to CS China Logistics Limited ("CS HK Logistics") as a result of CS Logistics and CS HK Logistics restructure.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets

	Goodwill HK\$	Contractual customer relationship HK\$	Brand name HK\$	Software HK\$	Total HK\$
Year ended 31 December 2015					
Opening net book amount	-	-	-	98,875,000	98,875,000
Additions	-	-	-	2,191,160	2,191,160
Business combination (Note 25)	13,670,111	7,371,548	9,648,591	8,834,527	39,524,777
Amortisation charge (Note 7)	-	(1,291,328)	(845,107)	(11,321,740)	(13,458,175)
Currency translation differences	(143,572)	(485,661)	(658,851)	(661,708)	(1,949,792)
Closing net book value	<u>13,526,539</u>	<u>5,594,559</u>	<u>8,144,633</u>	<u>97,917,239</u>	<u>125,182,970</u>
As at 31 December 2015					
Cost	13,526,539	6,850,480	8,966,568	115,341,448	144,685,035
Accumulated amortisation	-	(1,255,921)	(821,935)	(17,424,209)	(19,502,065)
Net book value	<u>13,526,539</u>	<u>5,594,559</u>	<u>8,144,633</u>	<u>97,917,239</u>	<u>125,182,970</u>
As at 22 April 2014 (date of incorporation)					
Cost	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Period ended 31 December 2014					
Additions (Note a)	-	-	-	105,000,000	105,000,000
Amortisation charge (Note 7)	-	-	-	(6,125,000)	(6,125,000)
Closing net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,875,000</u>	<u>98,875,000</u>
As at 31 December 2014					
Cost	-	-	-	105,000,000	105,000,000
Accumulated amortisation	-	-	-	(6,125,000)	(6,125,000)
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,875,000</u>	<u>98,875,000</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continues)

Note:

- (a) On 28 May 2014, the Company issued 400,000,000 shares and 20,000,000 shares at the issue price of HK\$0.25 per share as consideration to acquire software assets from JL Enterprises Holdings Limited ("JL Enterprises") and CS Logistics Holdings Limited ("CS Logistics") respectively. The software assets were acquired as the basis for the development of the eCoreOS eCommerce technology platform. The intangible assets received in exchange for shares are measured at fair value of those goods or services in accordance with HKFRS 2 – Share based payments. Management engaged an independent third-party valuer, Roma Appraisal Limited, to determine the fair value of the acquired software assets using the discounted cash flow method. The fair values of the software assets approximate the value of the share considerations. On 25 August 2014, CS Logistics transferred the shares to CS China Logistics Limited ("CS China Logistics") as a result of a CS Logistics and CS China Logistics restructure.
- (b) Goodwill is wholly attributable to the eCommerce Solutions Services CGU in Australia ("Australia CGU"). The recoverable amount of the Australia CGU is determined based on value in use calculation. The calculation uses pre-tax cash flow projections based on financial budget approved by Management covering a five-year period. Cash flows beyond the projection period are extrapolated using the terminal growth rate stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value in use calculation in 2015 is as follows:

Compound annual growth rate ("CAGR") of revenue for the five- year period	8.4%
Terminal growth rate	2.5%
EBITDA margin	15.0% - 18.0%
Discount rate	20.0%

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

For the Australia CGU, the recoverable amount calculated based on value in use exceeded carrying value by HK\$15,100,000. As such, there was no indication of impairment arising from the review on goodwill as at 31 December 2015.

A decrease in CAGR of revenue for the five-year period by 1.3% or a decrease in EBITDA margin by 4.9%, all changes taken in isolation, would remove the remaining headroom.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continued)

Notes:

(c) Impairment tests for CGUs

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

	2015 HK\$	2014 HK\$
Greater China eCommerce Business Services		
- Software	88,386,650	98,875,000
Australia CGU		-
- Contractual customer relationship	5,594,559	-
- Brand name	8,144,633	-
- Software	9,530,589	-
	<u>111,656,431</u>	<u>98,875,000</u>

(i) eCommerce Business Services CGU in Greater China ("Greater China CGU")

For the year ended 31 December 2015, the Greater China CGU recorded an operating loss of approximately HK\$33,100,000. In light of such an impairment indicator, Management has performed an impairment assessment for the Greater China CGU as at 31 December 2015.

The calculation uses pre-tax cash flow projections based on financial budget approved by Management covering a five-year period. Cash flows beyond the projection period are extrapolated using the terminal growth rate stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the Greater China CGU operates.

The key assumptions used for value in use calculation in 2015 is as follows:

CAGR of revenue for the five-year period	34.5%
Terminal growth rate	3.5%
EBITDA margin	14.0% - 24.0%
Discount rate	28.0%

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

For the Greater China CGU, the recoverable amount calculated based on value in use exceeded carrying value by HK\$25,500,000. Therefore, there was no indication of impairment arising from the review on goodwill as at 31 December 2015.

A decrease in CAGR of revenue for the five-year period by 1.5% or a decrease in EBITDA margin by 3.5%, all changes taken in isolation, would remove the remaining headroom.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continued)

Notes:

(c) Impairment tests for CGUs (Continued)

(ii) Australia CGU

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

Amortisation expense of HK\$13,458,175 (2014: HK\$6,125,000) has been charged to administrative expenses.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Subsidiaries

As at 31 December 2015, the Company has direct and indirect interests in the following subsidiaries:

<u>Name</u>	<u>Place of incorporation And kind of legal entity</u>	<u>Principal activities and place of operation</u>	<u>Equity interest held by the Company directly</u>	<u>Equity interest held by the Company indirectly</u>	<u>Particulars of issued share capital</u>
eCargo Enterprise Limited	Hong Kong, limited liability	Provision of eCommerce technologies services in Hong Kong	100%	-	1,000 ordinary shares of HK\$1 each
eCargo Australia Pty Limited	Australia, limited liability	Dormant in Australia	100%	-	100 ordinary shares of A\$1 each
eCargo Limited	United Kingdom, limited liability	Dormant in United Kingdom	100%	-	1 ordinary share of GBP1 each
ECG Digital Holdings Limited	British Virgin Islands ("BVI"), limited liability	Investment holdings in Hong Kong	100%	-	50,000 ordinary shares of US\$1 each
ECG Digital Commerce Limited	Hong Kong, limited liability	Provision of eMarketplace technology services in Hong Kong	-	100%	10,000 ordinary shares of HK\$1 each
eCargo (China) Holdings Limited	BVI, limited liability	Dormant in BVI	-	100%	1 ordinary share of US\$1 each
Enrich Technologies Limited	BVI, limited liability	Provision of eCommerce solutions services in Hong Kong	-	100%	1 ordinary share of US\$1 each
Amblique Pty Limited	Australia, limited liability	Provision of eCommerce solutions services in Australia	-	100%	134,410 ordinary shares of A\$1 each
JLE (China) Limited	Hong Kong, limited liability	Dormant in Hong Kong	-	100%	10,000 ordinary shares of HK\$0.01 each
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%	RMB500,000 issued share capital

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Interest in an associate

	2015 HK\$	2014 HK\$
At beginning of the year	-	-
Acquisition of an associate (Note)	6,168,875	-
Share of loss of an associate	(780,992)	-
Currency translation differences	(174,069)	-
At end of the year	<u>5,213,814</u>	<u>-</u>

Note:

On 28 February 2015, ECG acquired 20.99% of the issued shares in Purecomm (UK) Limited, eCommerce technology consultant and software developer in the United Kingdom, for a consideration of GBP520,000 (equivalent to approximately HK\$6.2 million).

The particulars of ECG's associates as at 31 December 2015 are as follows:

Name of company	Place of business and country of incorporation	Percentage of ownership interest	Principal activities	Measurement method
Purecomm (UK) Limited ("PureComm")	The United Kingdom	20.99%	Provision of eCommerce technology consultation and software development of an office-to-office omni-channel retail execution platform	Equity

PureComm is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to ECG's interest in the associate.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Interest in an associate (Continued)

Summarised financial information of an associate

Set out below are the summarised financial information for PureComm which is accounted for using the equity method.

Summarised statement of financial position

	2015 HK\$	2014 HK\$
Current		
Cash and cash equivalents	542,626	-
Other current assets (excluding cash and cash equivalents)	448,660	-
	<hr/>	<hr/>
Total current assets	991,286	-
	<hr/>	<hr/>
Financial liabilities (excluding trade payables)	(40,389)	-
Other current liabilities (including trade payables)	(356,449)	-
	<hr/>	<hr/>
Total current liabilities	(396,838)	-
	<hr/>	<hr/>
Non-current		
Assets	4,430,239	-
	<hr/>	<hr/>
Net assets	5,024,687	-
	<hr/>	<hr/>

Summarised statement of comprehensive income

	2015 HK\$	2014 HK\$
Revenue	1,906,157	-
Depreciation and amortisation	(178,818)	-
Loss and total comprehensive loss	(3,720,780)	-
	<hr/>	<hr/>

Note:

The summarised statement of comprehensive income shows the financial information of Purecomm after the acquisition by ECG.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Interest in an associate (Continued)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in PureComm is as follows:

	2015 HK\$	2014 HK\$
Net assets on the date of acquisition	9,449,523	-
Total comprehensive loss	(3,720,780)	-
Currency translation differences	(704,056)	-
Closing net assets	<u>5,024,687</u>	<u>-</u>
Interest in an associate	20.99%	-
Share of net assets	1,054,682	-
Intangible assets	<u>4,159,132</u>	<u>-</u>
Carrying value	<u>5,213,814</u>	<u>-</u>

17 Financial instruments by category

Loans and receivables

	2015 HK\$	2014 HK\$
Assets as per statement of financial position		
Trade and other receivables excluding prepayments	38,274,172	18,048,665
Amounts due from related parties	10,539,228	-
Cash and cash equivalents	<u>97,332,110</u>	<u>191,070,888</u>
	<u>146,145,510</u>	<u>209,119,553</u>

Other financial liabilities at amortised cost

	2015 HK\$	2014 HK\$
Liabilities as per statement of financial position		
Amounts due to related parties	11,043,037	10,792,331
Trade and other payables excluding non-financial liabilities	<u>14,041,607</u>	<u>3,421,528</u>
	<u>25,084,644</u>	<u>14,213,859</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Trade receivables

	2015 HK\$	2014 HK\$
Trade receivables	31,342,005	15,098,667
Less: Provision for impairment	(3,016)	-
	<u>31,338,989</u>	<u>15,098,667</u>

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

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

	2015 HK\$	2014 HK\$
1 – 30 days	14,604,147	4,235,881
31 – 60 days	7,459,929	3,487,513
61 – 90 days	1,077,368	3,752,208
Over 90 days	8,200,561	3,623,065
	<u>31,342,005</u>	<u>15,098,667</u>

As of 31 December 2015, trade receivables of HK\$3,016 (2014: Nil) were impaired and fully provided for. The individually impaired trade receivables relate to customers whose creditworthiness has materially deteriorated and it is assessed that these receivables are not expected to be recovered. The Company does not hold any collateral or other credit enhancements over these balances.

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

	2015 HK\$	2014 HK\$
At 1 January	-	-
Business combination	120,742	-
Provision for impairment of trade receivables (Note 7)	3,016	-
Written off of provision	(120,742)	-
	<u>3,016</u>	<u>-</u>
At 31 December	3,016	-

The creation and release of consolidated provision for impaired receivables have been included in administrative expenses in the statement of comprehensive income. Amounts charged to the allowance accounts are generally written off when there is no expectation of recovery of additional cash.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Trade receivables (Continued)

As at 31 December 2015, trade receivables of HK\$16,734,842 (2014: HK\$10,862,786) were past due but not impaired. These related to certain customers with no recent history of default, and as such, Management believes that no significant impairment provision is necessary. The past due aging analysis of these receivables is as follows:

	2015 HK\$	2014 HK\$
1 – 30 days	7,523,336	3,487,513
31 – 60 days	1,077,205	3,752,208
61 – 90 days	2,545,138	3,046,409
Over 90 days	5,589,163	576,656
	<u>16,734,842</u>	<u>10,862,786</u>

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

	2015 HK\$	2014 HK\$
HK\$	12,228,017	4,275,072
RMB	2,075,496	8,835,542
A\$	10,391,527	1,253,597
US\$	507,158	397,365
GBP	1,155,256	337,091
SG\$	1,307,167	-
NZ\$	3,674,368	-
	<u>31,338,989</u>	<u>15,098,667</u>

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

19 Prepayments, deposits and other receivables

	2015 HK\$	2014 HK\$
Prepayments	2,298,197	768,515
Rental and utility deposits	695,451	181,849
Other receivables	6,239,732	2,768,149
	<u>9,233,380</u>	<u>3,718,513</u>
Prepayments, deposits and other receivables		
	<u>9,233,380</u>	<u>3,718,513</u>
Less: non-current portion		
Deposits	(620,486)	-
	<u>8,612,894</u>	<u>3,718,513</u>
Current portion		
	<u>8,612,894</u>	<u>3,718,513</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Prepayments, deposits and other receivables (Continued)

Other receivables were neither past due nor impaired and they were interest-free and repayable on demand as at 31 December 2015 and 2014. 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:

	2015 HK\$	2014 HK\$
HK\$	5,432,411	920,927
RMB	108,976	355,071
A\$	1,393,796	-
GBP	-	1,674,000
	<u>6,935,183</u>	<u>2,949,998</u>

20 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	2015 HK\$	2014 HK\$
Cash on hand		
HK\$	1,860	1,820
RMB	44,483	-
SG\$	1,095	-
	<u>47,438</u>	<u>1,820</u>
Cash at banks		
HK\$	44,672,893	96,578,559
RMB	40,684,700	4,575
A\$	11,458,776	92,731,223
US\$	394,742	1,754,430
GBP	41,340	281
NZ\$	32,221	-
	<u>97,284,672</u>	<u>191,069,068</u>
Total	<u>97,332,110</u>	<u>191,070,888</u>

As at 31 December 2015, the amount of cash at banks represented ECG's maximum exposure to credit risk.

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Trade payables, other payables and accruals

	2015 HK\$	2014 HK\$
Trade payables	6,105,108	935,707
Accrued expenses	3,214,522	2,485,315
Deferred revenue	10,632,883	-
Accrued employee benefit expenses	8,960,847	1,712,877
Other payables	1,125,597	1,318,194
	<u>23,933,849</u>	<u>5,516,386</u>
	<u>30,038,957</u>	<u>6,452,093</u>

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

	2015 HK\$	2014 HK\$
HK\$	5,973,419	6,452,093
RMB	61,688	-
A\$	24,003,850	-
	<u>30,038,957</u>	<u>6,452,093</u>

22 Obligation under finance lease – ECG

A motor vehicle of ECG was held under finance lease. No arrangement has been entered into for contingent rental payments. ECG's obligation under finance lease was repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
Amounts payable under finance leases:				
Within one year	287,788	-	270,227	-
Less: Future finance charges	(17,561)	-	-	-
	<u>270,227</u>	<u>-</u>	<u>270,227</u>	<u>-</u>
Present value of lease obligations wholly repayable within 5 years	<u>270,227</u>	<u>-</u>	<u>270,227</u>	<u>-</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax

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

	2015 HK\$	2014 HK\$
Deferred income tax assets:		
- to be recovered after more than 12 months	1,581,322	-
	<u> </u>	<u> </u>
Deferred income tax liabilities:		
- to be recovered after more than 12 months	(4,121,759)	-
	<u> </u>	<u> </u>
Deferred tax liabilities – net	<u>(2,540,437)</u>	<u>-</u>

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

	2015 HK\$	2014 HK\$
At 1 January	-	-
Acquisition of a subsidiary (Note 25)	(4,350,735)	-
Credited to income statement (Note 11)	1,396,311	-
Currency translation differences	413,987	-
	<u> </u>	<u> </u>
At 31 December	<u>(2,540,437)</u>	<u>-</u>

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

	2015 HK\$	2014 HK\$
Deferred income tax assets		
At 1 January	-	-
Acquisition of a subsidiary (Note 25)	755,306	-
Credited to the income statement	755,378	-
Currency translation differences	70,638	-
	<u> </u>	<u> </u>
At 31 December	<u>1,581,322</u>	<u>-</u>
Deferred income tax liabilities		
At 1 January	-	-
Acquisition of a subsidiary (Note 25)	(5,106,041)	-
Credited to the income statement	640,933	-
Currency translation differences	343,349	-
	<u> </u>	<u> </u>
At 31 December	<u>(4,121,759)</u>	<u>-</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax (Continued)

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. ECG did not recognise deferred income tax assets in respect of estimated tax losses amounting to HK\$54,057,758 (2014: HK\$12,069,236) arising in Hong Kong and HK\$8,376,267 (2014: Nil) arising in the PRC. The tax losses arising in Hong Kong can be carried forward indefinitely and the tax losses arising in the PRC will expire in five years.

24 Share capital

	Number of shares	Share capital HK\$
As at 22 April 2014 (date of incorporation)		
- Proceeds from shares issued as at 22 April 2014 (date of incorporation) (Note a)	10,000	100
- Proceeds from shares issued as at 22 May 2014 (Note b)	15,625,000	2,500,000
- Acquisition of intangible assets and property, plant and equipment as at 28 May 2014 (Note c)	424,365,000	106,091,250
- Proceeds from shares issued as at 25 July 2014 (Note d)	20,000,000	36,094,000
- Proceeds from shares issued in connection with the Company's listing as at 28 November 2015 (Note e)	75,000,000	200,130,000
- Share issuance costs (Note e)	-	(15,414,065)
As at 31 December 2014 and 2015	<u>535,000,000</u>	<u>329,401,285</u>

Notes:

- The Company was incorporated in Hong Kong on 22 April 2014. On the same day, the Company issued 10,000 shares at the issue price of HK\$0.01 per share to Mr. Christopher Lau, Founder, Chief Executive Officer and Executive Director of the Company.
- On 22 May 2014, the Company issued 15,625,000 shares at the issue price of HK\$0.16 per share to Mr. Christopher Lau, Founder, Chief Executive Officer and Executive Director of the Company. The proceeds were used for the formation of the Company.
- On 28 May 2014, the Company issued 424,365,000 shares at the issue price of HK\$0.25 per share as consideration to acquire property, plant and equipment and intangible assets from JL Enterprises and CS Logistics. For details, please refer to Note 13 and Note 14.
- On 25 July 2014, the Company issued and received proceeds from issuance of 20,000,000 shares at the issue price of HK\$1.80 per share to pre-initial public offering investors.
- On 28 November 2014, the Company issued 75,000,000 shares at the offer price of HK\$2.70 per share in connection with the Company's listing on the Australian Securities Exchange (the "ASX"). The share issuance costs relating to the new shares amounted to HK\$ 24,303,572 of which HK\$ 8,889,507 is recognised in the statement of comprehensive income and HK\$ 15,414,065 is credited to the share capital account of the Company.

eCARGO HOLDINGS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****25 Business combination**

On 13 February 2015, ECG acquired 100% of the issued shares of Amblique for a consideration of A\$6.0 million (equivalent to approximately HK\$36.4 million). The acquisition was made by ECG with an aim to expand service and solution offerings to its customers. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill of HK\$13,670,111 arises from a number of factors including expected synergies through combining a highly skilled workforce with expertise in technology solutions with a much greater enterprise solutions and supply chain operations platform in the PRC, Hong Kong, Australia and New Zealand.

The following table summarises the consideration paid for Amblique, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	As at 13 February 2015 HK\$
Purchase consideration	
- Cash paid	36,432,692

Recognised amounts of identifiable assets acquired and liabilities assumed

	As at 13 February 2015 HK\$
Cash and cash equivalents	10,947,040
Property, plant and equipment	988,959
Intangible assets	
- Software	8,834,527
- Contractual customer relationship	7,371,548
- Brand name	9,648,591
Deferred income tax assets	755,306
Trade and other receivables	9,931,476
Trade and other payables	(5,274,534)
Deferred revenue	(11,780,544)
Employee benefit liabilities	(3,028,004)
Obligation under finance lease	(525,743)
Deferred income tax liabilities	(5,106,041)
Total identifiable net assets	22,762,581
Goodwill	13,670,111
	36,432,692

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Notes to the consolidated statement of cash flows

	As at 13 February 2015 HK\$
Outflow of cash to acquire business, net of cash acquired	
- cash consideration	36,432,692
- cash and cash equivalents in subsidiary acquired	(10,947,040)
Cash outflow on acquisition	<u>25,485,652</u>

(a) Acquired receivables

The fair value of trade and other receivables is HK\$9,931,476 and includes trade receivables with a fair value of HK\$8,566,511. The gross contractual amount for trade receivables due is HK\$8,687,253 of which HK\$120,742 is expected to be uncollectible.

(b) Revenue and profit contribution

The acquired business contributed revenue of HK\$59,819,863 and net profit of HK\$2,648,401 to ECG for the period from 13 February 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, consolidated revenue and consolidated net loss for the year ended 31 December 2015 would have been approximately HK\$118,083,994 and HK\$52,904,861 respectively for ECG.

Cash used in operations for the year or period comprises:

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
Loss before income tax	(51,998,144)	(36,761,362)
Adjustments for:		
- Depreciation of property, plant and equipment (Note 13)	1,561,098	238,480
- Amortisation of intangible assets (Note 14)	13,458,175	6,125,000
- Net foreign exchange loss on operating activities	10,832,639	4,353,791
- Finance income from bank deposits	(1,096,227)	(438,725)
- Share of loss of an associate (Note 16)	780,992	-
- Gain on disposal of property, plant and equipment	(44,738)	-
	<u>(26,506,205)</u>	<u>(26,482,816)</u>
Changes in working capital:		
- Trade receivables	(7,673,811)	(15,098,667)
- Prepayments, deposits and other receivables	(4,149,902)	(3,718,513)
- Trade payables	(105,133)	935,707
- Other payables and accruals	3,340,791	5,516,386
- Balances with related parties	(10,288,522)	10,792,331
Cash used in operations	<u>(45,382,782)</u>	<u>(28,055,572)</u>

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

As at 31 December 2015, ECG had future aggregate minimum lease payments in respect of office premises under non-cancellable operating leases as follows:

	2015 HK\$	2014 HK\$
No later than one year	3,661,379	524,426
Later than one year and no later than five years	4,023,015	869,323
	<u>7,684,394</u>	<u>1,393,749</u>

ECG leases a motor vehicle under non-cancellable operating lease agreement. The lease term is 4 years. The future aggregate minimum lease payments are as follows:

	2015 HK\$'000	2014 HK\$'000
No later than one year	<u>270,227</u>	<u>-</u>

28 Related party transactions

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

Name of related party	Relationship with ECG
Mr. John Lau	Executive Director/Executive Chairman
Mr. Christopher Lau	Executive Director/Chief Executive Officer
Mr. Rupert Myer AO	Independent Non-Executive Director
Mr. Chris Ryan	Independent Non-Executive Director
Mr. Heath Zarin	Independent Non-Executive Director
JL Enterprises	Shareholder of the Company, controlled by Mr. John Lau
CS China Logistics	Shareholder of the Company, controlled by Mr. John Lau
CS Logistics	Controlled by Mr. John Lau
Cargo Services Far East Limited	Controlled by Mr. John Lau
Allport Cargo Services Limited	Controlled by Mr. John Lau
CN Logistics Limited	Controlled by Mr. John Lau
Cargo Services (China) Limited	Controlled by Mr. John Lau
CN Logistics (Guangzhou) Limited	Controlled by Mr. John Lau
Independent Cargo Consolidators Limited	Controlled by Mr. John Lau
Shanghai Tianhong Container Storage and Transportation Limited	Controlled by Mr. John Lau
Cargo Tiancheng Technology Limited	Controlled by Mr. John Lau

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Related party transactions (Continued)

The following transactions were carried out with related parties:

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
(a) Sales of services – note (i)		
Sales of software development services:		
- Cargo Services Far East Limited	5,707,629	2,645,440
Sales of import, storage, and courier fulfillment services:		
- Cargo Services Far East Limited	-	44,729
	<u>5,707,629</u>	<u>2,690,169</u>
(b) Purchases of services – note (i)		
Purchase of outsourced labour services:		
- CS China Logistics	3,700,700	7,918,000
Purchases of outsourced import, storage, and courier fulfillment services:		
- Allport Cargo Services Limited	-	731,502
- Cargo Services Far East Limited	-	333,142
- Cargo Services (China) Limited	-	24,272
- CN Logistics (Guangzhou) Limited	-	7,665
- CN Logistics Limited	-	144,990
- CS China Logistics	34,829,806	7,132,301
- Independent Cargo Consolidators Limited	-	72,805
- Shanghai Tianhong Container Storage and Transportation Limited	-	231,267
Purchase of management and administrative services:		
- Cargo Services Far East Limited	-	471,200
	<u>38,530,506</u>	<u>17,067,144</u>

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Related party transactions (Continued)

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

(c) Purchases of intangible assets and property, plant and equipment

	Year ended 31 December 2015	Period from 22 April 2014 (date of incorporation) to 31 December 2014
Purchases of intangible assets:		
- JL Enterprises (Note 14)	-	100,000,000
- CS Logistics (Note 14)	-	5,000,000
Purchase of property, plant and equipment:		
- CS Logistics (Note 13)	-	1,091,250
	<hr/>	<hr/>
	-	106,091,250
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(d) Key Management compensation – note (ii)

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

	Year ended 31 December 2015 HK\$	Period from 22 April 2014 (date of incorporation) to 31 December 2014 HK\$
(e) Payment on behalf of ECG by related parties		
- Cargo Services Far East Limited	779,021	3,221,957
- Cargo Tiancheng Technology Limited	-	173,013
	<hr/>	<hr/>
	779,021	3,394,970
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eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Related party transactions (Continued)

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

(f) Amounts due to Key Management – note (iii)

	As at 31 December 2015 HK\$	As at 31 December 2014 HK\$
Mr. John Lau	-	42,968
Mr. Christopher Lau	648,000	216,000
Mr. Rupert Myer AO	-	37,551
Mr. Chris Ryan	-	211,180
Mr. Heath Zarin	-	37,551
	<u>648,000</u>	<u>545,250</u>

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

- Allport Cargo Services Limited	(158,908)	(717,785)
- Cargo Services Far East Limited	10,539,228	(1,030,953)
- Cargo Services (China) Limited	(2,345,370)	(24,352)
- Cargo Tiancheng Technology Limited	(27,498)	(134,858)
- CN Logistics Limited	(7,797,250)	(35,645)
- CN Logistics (Guangzhou) Limited	-	(7,708)
- CS China Logistics	(714,011)	(8,597,009)
- Independent Cargo Consolidators Limited	-	(9,787)
- Shanghai Tianhong Container Storage and Transportation Limited	-	(234,234)
	<u>(503,809)</u>	<u>(10,792,331)</u>

Notes:

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

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Related party transactions (Continued)

Directors' material interests in contracts

Pursuant to an asset purchase agreement dated 28 May 2014 made between the Company and JL Enterprises and an assignment of rights in software agreement dated 10 September 2014 made between the Company and JL Enterprises, JL Enterprises was issued shares in the Company in consideration of the assignment of all the intellectual property rights in certain software, namely Omni Channel Management System (the "OCMS") and Order Management System (the "OMS").

Pursuant to an asset purchase agreement dated 28 May 2014 made between the Company and CS Logistics, CS Logistics was issued shares in the Company in consideration of the assignment of all the intellectual property rights in Warehouse Management System (the "WMS"). On 10 September 2014, an assignment of rights in software agreement was made between the Company, CS Logistics and CS China Logistics where CS China Logistics agreed to assign all the intellectual property rights in the WMS to the Company with an effective date of 28 May 2014.

Pursuant to a transitional services agreement dated 4 September 2014 made between the Company and CS China Logistics, the Company agreed to pay CS China Logistics services fees for the provision of the logistics services in China.

Pursuant to a novation and supplemental agreement dated 4 September 2014 made between the Company and CS Logistics and CS China Logistics, the Company agreed to issue shares to CS China Logistics for the transfer of office furniture and equipment.

Pursuant to a deed of non-competition agreement dated 4 September 2014 made between the Company and Mr. John Lau, Mr. John Lau agreed to certain terms of confidentially, non-competition and non-solicitation with regards to all the above transactions.

Pursuant to a personal guarantee signed dated 4 September 2014 made between the Company and Mr. John Lau, Mr. John Lau agreed to provide a personal guarantee in favour of the Company in connection with the performance of the obligations owed by CS Logistics, CS China Logistics and JL Enterprises under the assignment of rights in software agreements, novation and supplemental agreement and transitional services agreement.

Mr. John Lau, an Executive Director, is materially interested in the above transactions to the extent that JL Enterprises, CS Logistics and CS China Logistics are effectively controlled by him.

Except for contracts amongst ECG companies and the aforementioned transactions, no other contracts of significance to which the Company, any of its subsidiaries, fellow subsidiaries or its parent 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/period.

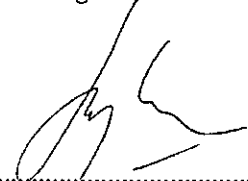
eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Statement of financial position and reserve movement of the Company

	Note	2015 HK\$	2014 HK\$
Assets			
Non-current assets			
Property, plant and equipment		537,844	855,218
Intangible assets		88,375,000	98,875,000
Investment in subsidiaries		389,283	1,743
Interest in an associate		5,213,814	-
		<u>94,515,941</u>	<u>99,731,961</u>
Current assets			
Amounts due from subsidiaries		192,546,200	25,317,204
Cash and cash equivalents		14,752,534	183,428,352
		<u>207,298,734</u>	<u>208,745,556</u>
Total assets		<u>301,814,675</u>	<u>308,477,517</u>
Liabilities			
Current liabilities			
Amounts due to subsidiaries		5,602,097	-
Other payables and accruals		100,000	-
Total liabilities		<u>5,702,097</u>	<u>-</u>
Equity			
Equity attributable to owners of the Company			
Share capital		329,401,285	329,401,285
Accumulated losses	a	(33,288,707)	(20,923,768)
Total equity		<u>296,112,578</u>	<u>308,477,517</u>
Total equity and liabilities		<u>301,814,675</u>	<u>308,477,517</u>

The balance sheet of the Company was approved by the Board of Directors on 29 March 2016 and were signed on its behalf by:



 Mr. John Lau
 Executive Chairman



 Mr. Christopher Lau
 Executive Director

eCARGO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note:

(a) Reserve movement of the Company

	Accumulated losses HK\$
As at 22 April 2014 (date of incorporation)	-
Loss for the period	(20,923,768)
As at 31 December 2014 and 1 January 2015	(20,923,768)
Loss for the year	(12,364,939)
As at 31 December 2015	(33,288,707)