



## **ASX APPENDIX 4D AND INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

### **eCargo Holdings Limited**

**ARBN 601 803 069**

**30 June 2016**

Lodged with ASX under Listing Rule 4.3A

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

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

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

Reporting period: 1 January 2016 to 30 June 2016

Prior corresponding period: 1 January 2015 to 30 June 2015

## Results for announcement to the market

### Key information

(HK\$)	Reporting Period	Prior Corresponding Period	% change
Revenue from ordinary operations	58,725,106	56,831,936	3.3%
Loss after income tax (credit)/expense	(41,113,257)	(24,561,909)	67.4%
Total comprehensive loss attributable to members of the Company	(41,134,045)	(25,036,809)	64.3%

### Dividends

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

## Interim Condensed Consolidated Statement of Comprehensive Income

Please refer to Appendix 1 - page 3.

## Interim Condensed Consolidated Statement of Financial Position

Please refer to Appendix 1 - page 4.

## Interim Condensed Consolidated Statement of Changes in Equity

Please refer to Appendix 1 - page 5.

## Interim Condensed Consolidated Statement of Cash Flows

Please refer to Appendix 1 - page 6.

## Additional dividend information

The Company has not declared any dividends.

## Dividend reinvestment plan

The Company has no dividend reinvestment plan.

## Net tangible asset backing

Net tangible asset backing per ordinary share as of 30 June 2016: HK\$14.5 cents, based on 535,000,000 ordinary shares on issue and outstanding.

On this basis, the Company has a net asset backing or book value of HK\$36.8 cents per ordinary share.

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

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

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

During the period, the associate continued to be loss making due to challenging conditions in its markets. Consequently there is significant uncertainty as to whether ECG will receive dividends or other returns from its investment in the future and therefore ECG fully impaired the carrying value of its investment.

### **Other significant information**

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

### **Foreign entities**

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

### **Commentary on the operations and results**

ECG reported a top line revenue of HK\$58.7 million, gross profit of HK\$28.5 million for the half year ended June 30, 2016 and reported earnings before interest, tax, depreciation and amortization (EBITDA) of HK\$(29.1) million excluding impact of foreign exchange and one-off provision for impairment of interest in an associate.

ECG incurred a loss per share of HK\$0.08 for the period. The Company did not propose any dividend distribution or share buy-back during the period.

During the period, ECG continuing to attract new merchants and establish a significant portfolio of international brands and merchants from the U.K., U.S.A. and Australia on its platforms and services, such as Ted Baker (U.K.), Fortnum and Mason (U.K.), Juicy Couture (U.S.A.) and Tiger Mist (Australia). There is an extensive pipeline of new merchants in advanced discussions which is expected to materialise in the coming months.

### **Statement as to the review status**

The report is based on the interim condensed consolidated financial information for the six months ended June 30, 2016 of ECG, which has been reviewed by PricewaterhouseCoopers, the auditor of the Company.

**eCARGO HOLDINGS LIMITED**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**FOR THE SIX MONTHS ENDED**

**30 JUNE 2016**

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION  
TO THE BOARD OF DIRECTORS OF eCARGO HOLDINGS LIMITED**  
(incorporated in Hong Kong with limited liability)

**Introduction**

We have reviewed the interim condensed consolidated financial information set out on pages 3 to 20, which comprises the interim condensed consolidated statement of financial position of eCargo Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

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



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (CONTINUED)**  
**TO THE BOARD OF DIRECTORS OF eCARGO HOLDINGS LIMITED**  
(incorporated in Hong Kong with limited liability)

**Conclusion**

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

A handwritten signature in blue ink, consisting of a large, stylized 'P' followed by a series of loops and a long horizontal line extending to the right.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 31 August 2016

**eCARGO HOLDINGS LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		Unaudited six months ended 30 June	
	Note	2016 HK\$	2015 HK\$
Revenue	7	58,725,106	56,831,936
Cost of sales	8	(30,249,163)	(31,015,313)
<b>Gross profit</b>		<u>28,475,943</u>	<u>25,816,623</u>
Selling and distribution expenses	8	(5,521,863)	(4,010,734)
Administrative expenses	8	(51,492,841)	(37,809,107)
Research and development expenses	8	(8,733,902)	(3,162,884)
<b>Operating loss</b>		<u>(37,272,663)</u>	<u>(19,166,102)</u>
Other loss	9	(680,584)	(5,520,933)
Interest income		181,696	744,737
Share of loss of an associate	14	(57,962)	-
Provision for impairment of interest in an associate	14	(5,028,427)	-
<b>Loss before income tax</b>		<u>(42,857,940)</u>	<u>(23,942,298)</u>
Income tax credit/(expense)	10	1,744,683	(619,611)
<b>Loss for the period</b>		<u>(41,113,257)</u>	<u>(24,561,909)</u>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		(20,788)	(474,900)
<b>Total comprehensive loss for the period</b>		<u>(41,134,045)</u>	<u>(25,036,809)</u>
<b>Loss per share for loss attributable to owners of the Company</b>			
- Basic and diluted (HK cents per share)	11	<u>(7.68)</u>	<u>(4.59)</u>

The notes on pages 7 to 20 are an integral part of this interim condensed consolidated financial information.

**eCARGO HOLDINGS LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	Unaudited As at 30 June 2016 HK\$	Audited As at 31 December 2015 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	4,831,427	5,601,664
Intangible assets	13	119,220,898	125,182,970
Interest in an associate	14	-	5,213,814
Deferred income tax assets		1,514,832	1,581,322
Deposits		772,338	620,486
		<u>126,339,495</u>	<u>138,200,256</u>
<b>Current assets</b>			
Trade receivables	15	22,829,906	31,338,989
Prepayments, deposits and other receivables		9,327,576	8,612,894
Amounts due from related parties		8,156,316	10,539,228
Income tax recoverable		1,152,387	-
Cash and cash equivalents		65,758,301	97,332,110
		<u>107,224,486</u>	<u>147,823,221</u>
<b>Total assets</b>		<u>233,563,981</u>	<u>286,023,477</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	329,401,285	329,401,285
Currency translation reserve		(1,607,056)	(1,586,268)
Accumulated losses		(130,779,480)	(89,666,223)
<b>Total equity</b>		<u>197,014,749</u>	<u>238,148,794</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		3,880,529	4,121,759
<b>Current liabilities</b>			
Trade payables	17	7,901,901	6,105,108
Other payables and accruals	17	18,442,313	23,933,849
Amounts due to related parties		6,324,489	11,043,037
Obligation under finance lease		-	270,227
Income tax payable		-	2,400,703
		<u>32,668,703</u>	<u>43,752,924</u>
<b>Total liabilities</b>		<u>36,549,232</u>	<u>47,874,683</u>
<b>Total equity and liabilities</b>		<u>233,563,981</u>	<u>286,023,477</u>

The notes on pages 7 to 20 are an integral part of this interim condensed consolidated financial information.

**eCARGO HOLDINGS LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital HK\$	Unaudited Currency translation reserve HK\$	Accumulated losses HK\$	Total HK\$
<b>Balance at 1 January 2015</b>	329,401,285	-	(36,761,362)	292,639,923
<b>Total comprehensive loss for the period ended 30 June 2015</b>	-	(474,900)	(24,561,909)	(25,036,809)
<b>Balance at 30 June 2015</b>	329,401,285	(474,900)	(61,323,271)	267,603,114
<b>Balance at 1 January 2016</b>	329,401,285	(1,586,268)	(89,666,223)	238,148,794
<b>Total comprehensive loss for the period ended 30 June 2016</b>	-	(20,788)	(41,113,257)	(41,134,045)
<b>Balance at 30 June 2016</b>	329,401,285	(1,607,056)	(130,779,480)	197,014,749

The notes on pages 7 to 20 are an integral part of this interim condensed consolidated financial information.

**eCARGO HOLDINGS LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

		Unaudited Six month ended 30 June	
	Note	2016 HK\$	2015 HK\$
<b>Cash flows from operating activities</b>			
Cash used in operations		(28,390,041)	(24,719,688)
Income tax paid		(2,048,675)	-
Net cash used in operating activities		<u>(30,438,716)</u>	<u>(24,719,688)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(466,582)	(2,325,341)
Purchase of intangible assets		(1,154,585)	-
Proceeds from disposal of property, plant and equipment		236,719	139,750
Acquisition of a subsidiary, net of cash acquired	18	-	(25,485,652)
Acquisition of an associate		-	(6,168,875)
Interest received		181,696	744,737
Net cash used in investing activities		<u>(1,202,752)</u>	<u>(33,095,381)</u>
<b>Cash flow from financing activity</b>			
Repayments of obligation under finance lease		(270,227)	-
Net cash used in financing activity		<u>(270,227)</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>		(31,911,695)	(57,815,069)
Cash and cash equivalents at beginning of period		97,332,110	191,070,888
Exchange gain/(loss) on cash and cash equivalents		337,886	(164,083)
<b>Cash and cash equivalents at end of period</b>		<u>65,758,301</u>	<u>133,091,736</u>

The notes on pages 7 to 20 are an integral part of this interim condensed consolidated financial information.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

#### **1 General information**

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

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

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

The financial information relating to the year ended 31 December 2015 that is included in the interim condensed consolidated financial information for the six months ended 30 June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

#### **2 Basis of preparation**

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

#### **3 Accounting policies**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

#### **3 Accounting policies (Continued)**

##### **3.1 New accounting standard and amendments to existing standards that are not yet effective and have not been early adopted by ECG**

The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2017. The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of ECG.

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
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

ECG is in the process of making an assessment of the impact of these new standards and amendments to existing standards on the interim condensed consolidated financial information of ECG in the initial application and does not anticipate that the adoption will result in any material impact on ECG's operating results or financial position.

#### **4 Estimates and judgements**

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

In preparing this interim condensed consolidated financial information, the significant judgements made by Management in applying ECG's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

#### **5 Financial risk management**

##### **5.1 Capital management**

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

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

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

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

##### **5.2 Credit risk**

At the date of the interim condensed consolidated statement of financial position, 41% (31 December 2015: 48%) of the trade receivables was due from ECG's largest five debtors. Accordingly, ECG's consolidated results would be heavily affected by the financial capability of these debtors to fulfill their obligations with ECG. ECG's credit risk monitoring activities relating to the debtors include review of the credit profile, business prospects, background and their financial capacity.

##### **5.3 Liquidity risk**

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

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

##### **5.4 Foreign exchange risk**

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

Foreign exchange risk arises mainly from future commercial transactions, recognised assets and liabilities.

ECG manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. ECG currently does not have a foreign currency hedging policy.

At 30 June 2016, if the HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax results for the year would change by approximately HK\$1,368,000 (30 June 2015: HK\$1,220,000) mainly as a result of foreign exchange gains/losses on translation of trade receivables, deposits and other receivables, balances with related parties, cash and cash equivalents, trade payables and other payables and accruals denominated in the RMB.

At 30 June 2016, if the HK\$ had strengthened/weakened by 5% against the A\$ with all other variables held constant, post-tax results for the period would change by approximately HK\$138,000 (30 June 2015: HK\$2,729,000), mainly as a result of foreign exchange gains/losses on translation of trade receivables, deposits and other receivables, balances with related parties, cash and cash equivalents, trade payables and other payables and accruals denominated in the A\$.

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

##### **5.5 Cash flow and fair value interest rate risk**

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

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

##### **5.6 Fair value estimation**

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

#### **6 Segment information**

ECG's chief operating decision-makers (the "CODM") 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 impact of foreign exchange) as Management believes that such information is the most relevant in evaluating the results of ECG's segments. EBITDA loss excluding impact of foreign exchange represents loss before income tax, depreciation of property, plant and equipment, amortisation of intangible assets, gain or loss on disposal of property, plant and equipment, interest income, ECG's share of loss of an associate and provision for impairment of investment in an associate.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**6 Segment information (Continued)**

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

	For the six months ended 30 June 2016 (Unaudited)			
	Greater China HK\$	Australia HK\$	Eliminations HK\$	Consolidated HK\$
<b>Revenue</b>				
External revenue	<u>24,879,840</u>	<u>33,845,266</u>	<u>-</u>	<u>58,725,106</u>
<b>Gross profit</b>	<u>7,995,403</u>	<u>20,480,540</u>	<u>-</u>	<u>28,475,943</u>
<b>Results</b>				
EBITDA – excluding impact of foreign exchange	<u>(23,583,416)</u>	<u>(5,653,067)</u>	<u>-</u>	<u>(29,236,483)</u>
	For the six months ended 30 June 2015 (Unaudited)			
	Greater China HK\$	Australia HK\$	Eliminations HK\$	Consolidated HK\$
<b>Revenue</b>				
External revenue	<u>32,127,667</u>	<u>24,704,269</u>	<u>-</u>	<u>56,831,936</u>
<b>Gross profit</b>	<u>6,868,767</u>	<u>18,947,856</u>	<u>-</u>	<u>25,816,623</u>
<b>Results</b>				
EBITDA – excluding impact of foreign exchange	<u>(14,524,224)</u>	<u>2,609,460</u>	<u>-</u>	<u>(11,914,764)</u>

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

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
Total segment EBITDA – excluding foreign exchange loss	(29,236,483)	(11,914,764)
Net foreign exchange loss	(680,584)	(5,520,933)
Gain on disposal of property, plant and equipment	55,886	44,506
Depreciation of property, plant and equipment	(1,007,694)	(647,842)
Amortisation of intangible assets	(7,084,372)	(6,648,002)
Interest income	181,696	744,737
Share of loss of an associate	(57,962)	-
Provision for impairment of interest in an associate	(5,028,427)	-
	<u>(42,857,940)</u>	<u>(23,942,298)</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****6 Segment information (Continued)**Information about major customers

For the six months ended 30 June 2016, there was no single external customer contributing 10% or more of ECG's total revenue.

For the six months ended 30 June 2015, there was one customer that contributed 10% or more of ECG's total revenue and the amount of revenue attributable to this customer was HK\$9,442,411.

**7 Revenue**

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
Revenue		
- Service income	58,725,106	56,831,936

**8 Expenses by nature**

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
Outsourced services fulfilment expenses, included in cost of sales	15,103,220	22,863,929
Outsourced web development and IT consultation costs, included in cost of sales	5,471,203	4,251,376
Subscription expense for software application, included in cost of sales	9,674,740	3,900,008
Auditor's remuneration	864,000	764,000
Employee benefit expenses	48,630,803	25,485,311
Outsourced labour costs	491,394	3,700,700
Amortisation of intangible assets (Note 13)	7,084,372	6,648,002
Depreciation of property, plant and equipment (Note 13)	1,007,694	647,842
Legal and professional expenses	992,580	2,204,898
Travel expenses	1,775,271	1,453,941
Operating leases rental	2,197,187	1,670,477
IT expenses	824,883	548,738
Marketing expenses	248,693	161,785
Utilities and maintenance expenses	193,096	215,537
Telecommunications expenses	198,437	129,209
Insurance expenses	124,773	87,307
Gain on disposal of property, plant and equipment	(55,886)	(44,506)
Other expenses	1,171,309	1,309,484
	95,997,769	75,998,038

**eCARGO HOLDINGS LIMITED****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****9 Other loss**

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
Net foreign exchange loss	<u>680,584</u>	<u>5,520,933</u>

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

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2015: 16.5%). Subsidiary established in the PRC is subject to PRC corporate income tax at a rate of 25% (2015: 25%). No provision for Hong Kong profits tax and PRC corporate income tax has been made as ECG had no assessable profits for the six months ended 30 June 2016 in Hong Kong and in the PRC (For the six months ended 30 June 2015: Nil).

Subsidiaries established in Australia are subject to 30% income tax rate during the period (2015: 30%).

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
Current income tax credit/(expense)		
- Australian corporate tax	1,570,451	(922,508)
- Under-provision in prior year	(67,644)	-
Deferred income tax	<u>241,876</u>	<u>302,897</u>
Income tax credit/(expense)	<u>1,744,683</u>	<u>(619,611)</u>

**11 Loss per share**

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

	Unaudited Six months ended 30 June	
	2016	2015
Loss attributable to owners of the Company (HK\$)	<u>41,113,257</u>	<u>24,561,909</u>
Weighted average number of ordinary shares in issue	<u>535,000,000</u>	<u>535,000,000</u>
Basic and diluted loss per share (HK cent)	<u>7.68</u>	<u>4.59</u>

Diluted loss per share for the six months ended 30 June 2016 and 2015 was equal to the basic loss per share as there were no potential dilutive ordinary shares outstanding during both periods.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**12 Dividend**

No dividend has been declared by the Company for the six months ended 30 June 2016 (30 June 2015: Nil).

**13 Property, plant and equipment and intangible assets**

	Property, plant and equipment HK\$	Intangible assets HK\$
<b>Six months ended 30 June 2016</b>		
<b>Net book value</b>		
<b>Opening net book amount as at 1 January 2016</b>	5,601,664	125,182,970
Additions	466,582	1,154,585
Depreciation and amortisation (Note 8)	(1,007,694)	(7,084,372)
Disposals	(180,833)	-
Currency translation differences	(48,292)	(32,285)
<b>Closing net book amount as at 30 June 2016 (unaudited)</b>	<b>4,831,427</b>	<b>119,220,898</b>
<b>Six months ended 30 June 2015</b>		
<b>Net book value</b>		
<b>Opening net book amount as at 1 January 2015</b>	1,121,279	98,875,000
Additions	4,119,698	-
Business combination (Note 18)	988,959	39,524,777
Depreciation and amortisation (Note 8)	(647,842)	(6,648,002)
Disposals	(95,244)	-
Currency translation differences	(21,530)	(513,769)
<b>Closing net book amount as at 30 June 2015 (unaudited)</b>	<b>5,465,320</b>	<b>131,238,006</b>

**14 Interest in an associate**

		Unaudited As at 30 June 2016 HK\$	Audited As at 31 December 2015 HK\$
	Note		
As beginning of the period/year		5,213,814	-
Acquisition of an associate	i	-	6,168,875
Share of loss of an associate		(57,962)	(780,992)
Provision for impairment of interest in an associate	ii	(5,028,427)	-
Currency translation differences		(127,425)	(174,069)
<b>As at the end of the period/year</b>		<b>-</b>	<b>5,213,814</b>

# eCARGO HOLDINGS LIMITED

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14 Interest in an associate (Continued)

Notes:

- (i) 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).
- (ii) During the six months ended 30 June 2016, the associate continued to be loss making due to challenging conditions in its markets. Since there was significant uncertainty as to whether ECG will receive dividends or other returns from its investment in the future, ECG made a provision for the carrying value of its investment.

### 15 Trade receivables

	Unaudited As at 30 June 2016 HK\$	Audited As at 31 December 2015 HK\$
Trade receivables	22,829,906	31,342,005
Less: provision for impairment	-	(3,016)
Trade receivables - net	<u>22,829,906</u>	<u>31,338,989</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:

	Unaudited As at 30 June 2016 HK\$	Audited As at 31 December 2015 HK\$
1 - 30 days	13,909,910	14,604,147
31 - 60 days	1,107,262	7,459,929
61 - 90 days	1,775,699	1,077,368
Over 90 days	6,037,035	8,200,561
Trade receivables	22,829,906	31,342,005
Less: provision for impairment	-	(3,016)
Trade receivables - net	<u>22,829,906</u>	<u>31,338,989</u>

As of 30 June 2016, no trade receivables were impaired and fully provided for.

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

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**16 Share capital**

	Number of shares	Share capital HK\$
As at 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	<u>535,000,000</u>	<u>329,401,285</u>

**17 Trade payables, other payables and accruals**

	Unaudited As at 30 June 2016 HK\$	Audited As at 31 December 2015 HK\$
Trade payables	7,901,901	6,105,108
Accrued expenses	3,005,670	3,214,522
Deferred revenue	6,241,046	10,632,883
Accrued employee benefit expenses	7,408,691	8,960,847
Other payables	1,786,906	1,125,597
	<u>18,442,313</u>	<u>23,933,849</u>
Total trade payables, other payables and accruals	<u>26,344,214</u>	<u>30,038,957</u>

**18 Business combination**

On 13 February 2015, ECG acquired 100% of the issued shares of Amblique Pty Limited ("Amblique"), a company principally engaged in the provision of digital commerce consultancy services in Australia, for 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	<u>36,432,692</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**18 Business combination (Continued)**

**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
	<u>36,432,692</u>
	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 revenues of HK\$24,704,269 and net profit of HK\$1,477,224 to ECG for the period from 13 February 2015 to 30 June 2015. If the acquisition had occurred on 1 January 2015, consolidated revenue and consolidated net loss for the six months ended 30 June 2015 would have been approximately HK\$60,502,000 and HK\$24,514,000 respectively for ECG.

**eCARGO HOLDINGS LIMITED****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION****19 Related party transactions**

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

<b>Name of related party</b>	<b>Relationship with ECG</b>
Mr. John Lau	Executive Director/Executive Chairman
Mr. Christopher Lau	Executive Director/Chief Executive Officer
Mr. Rupert Myer AO	Independent Non-executive Director
Mr. Christopher Ryan	Independent Non-executive Director
Mr. Heath Zarin	Independent Non-executive Director
CS China Logistics Limited	Shareholder of the Company, 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
CN Logistics (Shanghai) Limited	Controlled by Mr. John Lau
CS Logistic Solutions Pty Limited	Controlled by Mr. John Lau

The following transactions were carried out with related parties:

		Unaudited Six months ended 30 June	
		2016 HK\$	2015 HK\$
(a)	Sales of services – note (i)		
	Sales of software development services:		
	- Cargo Services Far East Limited	300,000	2,808,963
	Sales of courier services:		
	- CN Logistics Limited	12,301	-
	<b>Total</b>	<b>312,301</b>	<b>2,808,963</b>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**19 Related party transactions (Continued)**

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

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
(b) Purchases of services – note (i)		
Purchase of outsourced labour services:		
- CS China Logistics Limited	-	3,700,700
- Cargo Services (China) Limited	491,394	-
	<u>491,394</u>	<u>3,700,700</u>
Purchases of outsourced import, storage, and courier fulfillment services:		
- Allport Cargo Services Limited	206,852	1,826,942
- Cargo Services Far East Limited	9,253,722	12,895,255
- CN Logistics (Guangzhou) Limited	-	22,485
- CN Logistics Limited	965,300	6,040,068
- CN Logistics (Shanghai) Limited	3,230	-
- CS Logistic Solutions Pty Limited	400,678	-
	<u>10,829,782</u>	<u>20,784,750</u>
Total	<u>11,321,176</u>	<u>24,485,450</u>
(c) Payment on behalf of ECG by related parties		
- Cargo Services Far East Limited	364,596	1,661,460
- Cargo Services (China) Limited	-	15,313
	<u>364,596</u>	<u>1,676,773</u>
(d) Key management compensation – note (ii)		
Fees	1,003,541	1,040,691
Salaries, allowances and benefits-in-kind	871,000	804,000
Contributions to pension plan	9,000	9,000
Total	<u>1,883,541</u>	<u>1,853,691</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.

## **eCARGO HOLDINGS LIMITED**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

#### **20 Events after the reporting period**

##### **(a) Formation of a new joint venture company**

On 25 July 2016, ECG Digital Commerce Limited ("ECG Digital"), a wholly-owned subsidiary of ECG, entered into a joint venture deed (the "MM deed") with Walton Brown E-commerce Limited ("Walton Brown"), a company of The Lane Crawford Joyce Group. Pursuant to the MM deed, each of ECG Digital and Walton Brown agreed to pay RMB 60 million and RMB 90 million into a new joint venture company - MM E-commerce Limited ("MM"). On the same date, MM entered into a joint venture deed (the "WWE deed") with Novel Colour Limited ("WHL"), a wholly owned subsidiary of The Wharf (Holdings) Limited ("Wharf"). Pursuant to the WWE deed, MM and WHL agreed to pay RMB 150 million each into a new joint venture company - WWE & Company (BVI) Limited ("WWE"). WWE is a strategic investment of ECG, Walton Brown and Wharf that aims to launch a new social shopping mobile platform in China.

Upon the completion date on 31 August 2016, ECG will pay RMB60 million for an effective interest of 20% in WWE through its investment in MM.

##### **(b) Loan facility from a major shareholder**

On 29 August 2016, the Company entered into an agreement with JL Enterprises Holdings Limited, the Company's major shareholder and a company wholly owned by Mr. John Lau, the Executive Chairman of the Company, as to provide a loan facility in an aggregate amount of up to HK\$50 million to support the Company's working capital requirements. The loan facility is unsecured and bears interest at prime rate quoted from The Hong Kong and Shanghai Banking Corporation Limited from time to time. The loan facility can be utilised at the Company's demand and is repayable in accordance with a separate agreement to be made between the Company and JL Enterprises Holdings Limited.

The Group continues to review its capital structure for its operations and investment.