



## **ASX PRELIMINARY FINAL REPORT**

**eCargo Holdings Limited**

**ARBN 601 083 069**

**December 31, 2023**

Lodged with ASX under Listing Rule 4.3A

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

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

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

Reporting period: January 1, 2023 to December 31, 2023

Prior corresponding period: January 1, 2022 to December 31, 2022

## Results for announcement to the market

### Key information

(HK\$)	Year ended December 31, 2023	Year ended December 31, 2022	% Change
Revenue from ordinary operations	188,200,788	125,398,864	50%
Profit after income tax expense	4,741,204	28,055,010	-83%
Total comprehensive income attributable to owners of the Company	5,463,143	31,719,354	-83%

### Dividends

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

## Consolidated Statement of Comprehensive Income

Please refer to Appendix 1 – page 1

## Consolidated Statement of Financial Position

Please refer to Appendix 1 – page 3

## Consolidated Statement of Changes in Equity

Please refer to Appendix 1 – page 5

## 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 at:

December 31, 2023	(HK\$7.3 cents)
December 31, 2022	(HK\$8.3 cents)

At December 31, 2023, there were 615,250,000 shares in issue, which would convert to a net asset backing of loss HK\$5.3 cents per share (December 31, 2022: HK\$6.2 cents per share).

### Earnings per share

	2023 HK\$	2022 HK\$
Basic and diluted earnings per share (HK cent)		
- From continuing operations	0.77	0.77
- From discontinued operation	-	3.79
	<u>0.77</u>	<u>4.56</u>

### Returns to shareholders including distributions and buy backs

No returns to shareholders during the year.

### Controlled entities acquired or disposed of

During the year, no controlled entities was being acquired or disposed.

During FY2022, Amblique Pty Limited, a wholly-owned subsidiary of ECG, was disposed for a consideration of US\$5,000,000. ECG realised a gain on disposal of this subsidiary of HK\$28,797,432.

<u>Name of entities</u>	<u>Date control lost</u>
Amblique Pty Limited	30 April 2022

### Associates and joint venture entities

ECG's joint ventures are set out in note 18 to the financial statements.

### 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

Group revenue increased by 50% to HK\$188.2 million (FY22: HK\$125.4 million), driven by the success of eCargo's B2B technology platform, Flow.

The FY23 statutory net profit decreased to HK\$4.7 million (FY22: HK\$28.1 million). No profit from discontinued operations was generated in FY 23 (FY22: HK\$23.3 million).

### Statement as to the audit status

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

**eCARGO HOLDINGS LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**December 31, 2023**

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 HK\$	2022 HK\$
<b>Continuing operations</b>			
Revenue	6	188,200,788	125,398,864
Cost of sales	7	(141,769,329)	(84,989,931)
<b>Gross profit</b>		<u>46,431,459</u>	<u>40,408,933</u>
Selling and distribution expenses	7	(11,033,450)	(10,662,587)
Administrative expenses	7	(33,587,117)	(30,476,342)
(Provision for)/reversal of impairment of financial and assets	3.1	(362,765)	218,478
Other income	10	4,501,709	4,883,608
Other gains/(losses)	10	931,896	(341,043)
<b>Operating profit</b>		<u>6,881,732</u>	<u>4,031,047</u>
Finance income	11	130,684	47,086
Finance expense	11	(4,066,437)	(1,305,192)
Finance expense – net	11	<u>(3,935,753)</u>	<u>(1,258,106)</u>
Share of results of joint ventures	18	1,099,289	1,213,101
<b>Profit before income tax</b>		<u>4,045,268</u>	<u>3,986,042</u>
Income tax credit	12	695,936	730,271
<b>Profit for the year from continuing operations</b>		<u>4,741,204</u>	<u>4,716,313</u>
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	13	-	23,338,697
Profit for the year is attributable to: Owners of the Company		<u>4,741,204</u>	<u>28,055,010</u>

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 HK\$	2022 HK\$
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		721,939	607,107
Release of exchange difference upon disposal of a subsidiary presented as discontinued operation	13	-	3,057,237
Other comprehensive income for the year		721,939	3,664,344
<b>Total comprehensive income for the year</b>		<u>5,463,143</u>	<u>31,719,354</u>
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		5,463,143	5,323,420
Discontinued operation		-	26,395,934
<b>Earnings per share for profit from continuing operations attributable to owners of the Company</b>			
- Basic and diluted (HK cents per share)	14	<u>0.77</u>	<u>0.77</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
- Basic and diluted (HK cents per share)	14	<u>0.77</u>	<u>4.56</u>

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

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2023**

	Note	2023 HK\$	2022 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15(a)	214,617	82,403
Right-of-use assets	15(b)	46,794	422,665
Intangible assets	16	11,919,016	12,856,066
Interests in joint ventures	18	3,028,259	2,708,115
Deferred income tax assets	25	337,000	341,821
		<u>15,545,686</u>	<u>16,411,070</u>
<b>Current assets</b>			
Inventories	20	12,613,171	7,239,712
Trade receivables	21	79,151,554	21,013,992
Prepayments, deposits and other receivables	22	18,361,747	3,547,195
Amounts due from related parties	30	10,531,158	8,208,908
Cash and cash equivalents	23	23,678,121	27,074,136
		<u>144,335,751</u>	<u>67,083,943</u>
<b>Total assets</b>		<u><u>159,881,437</u></u>	<u><u>83,495,013</u></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	26	427,820,968	427,820,968
Currency translation reserve		344,022	(377,917)
Accumulated losses		(461,006,202)	(465,747,406)
<b>Total deficit</b>		<u>(32,841,212)</u>	<u>(38,304,355)</u>

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT DECEMBER 31, 2023**

	Note	2023 HK\$	2022 HK\$
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	25	5,997,883	6,694,149
Lease liabilities	15(b)	-	55,245
Amounts due to related parties	30	16,714,920	18,318,950
Shareholder's loan	28	41,484,899	43,381,467
		<u>64,197,702</u>	<u>68,449,811</u>
		-----	-----
<b>Current liabilities</b>			
Trade payables	24	18,123,468	3,551,781
Other payables and accruals	24	9,808,330	11,855,542
Amounts due to related parties	30	13,659,002	20,595,838
Put option liabilities	31	8,006,700	7,979,700
Lease liabilities	15(b)	53,741	422,057
Borrowings	29	78,873,706	8,944,639
		<u>128,524,947</u>	<u>53,349,557</u>
		-----	-----
<b>Total liabilities</b>		<u>192,722,649</u>	<u>121,799,368</u>
		=====	=====
<b>Total deficit and liabilities</b>		<u>159,881,437</u>	<u>83,495,013</u>
		=====	=====

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



**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER, 2023**

	Share capital HK\$	Currency translation reserve HK\$	Accumulated losses HK\$	Total deficit HK\$
<b>Balance at January 1, 2022</b>	427,820,968	(4,042,261)	(493,802,416)	(70,023,709)
<b>Comprehensive income</b>				
Profit for the year	-	-	28,055,010	28,055,010
<b>Other comprehensive income</b>				
Currency translation differences	-	607,107	-	607,107
Release of currency translation differences upon disposal of a subsidiary (Note 13)	-	3,057,237	-	3,057,237
<b>Total comprehensive income for the year</b>	-	3,664,344	28,055,010	31,719,354
<b>Balance at December 31, 2022</b>	427,820,968	(377,917)	(465,747,406)	(38,304,355)
<b>Balance at January 1, 2023</b>	427,820,968	(377,917)	(465,747,406)	(38,304,355)
<b>Comprehensive income</b>				
Profit for the year	-	-	4,741,204	4,741,204
<b>Other comprehensive income</b>				
Currency translation differences	-	721,939	-	721,939
<b>Total comprehensive income for the year</b>	-	721,939	4,741,204	5,463,143
<b>Balance at December 31, 2023</b>	427,820,968	344,022	(461,006,202)	(32,841,212)

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

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 HK\$	2022 HK\$
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	27	(68,014,477)	9,887,200
Interest paid	11	(3,202,202)	(1,305,192)
		<hr/>	<hr/>
<b>Net cash (used in)/generated from operating activities from continuing operations</b>		(71,216,679)	8,582,008
<b>Net cash used in operating activities from discontinued operation</b>		-	(614,554)
		<hr/>	<hr/>
		(71,216,679)	7,967,454
 <b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15(a)	(256,515)	(39,319)
Purchase of intangible assets	16	(1,814,078)	-
Interest received	11	130,684	47,086
Dividend received from joint ventures	18	779,145	1,361,722
Net cash inflow of disposal of a subsidiary	13	-	32,406,979
		<hr/>	<hr/>
<b>Net cash (used in)/generated from investing activities from continuing operations</b>		(1,160,764)	33,776,468
<b>Net cash used in investing activities from discontinued operation</b>		-	(59,260)
		<hr/>	<hr/>
		(1,160,764)	33,717,208

**eCARGO HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 HK\$	2022 HK\$
<b>Cash flows from financing activities</b>			
Principal elements of lease payment	27(b)	(412,859)	(753,404)
Proceeds from bank and other borrowings	27(b)	94,367,605	4,719,685
Proceeds from shareholder's loan	28	8,675,000	-
Repayment of bank borrowings	27(b)	(24,438,538)	(364,046)
Repayment of shareholder's loan	27(b)	(10,928,597)	(49,401,342)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities from continuing operations</b>		67,262,611	(45,799,107)
<b>Net cash used in financing activities from discontinued operation</b>		-	(277,968)
		<hr/>	<hr/>
		67,262,611	(46,077,075)
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		(5,114,832)	(4,392,413)
Cash and cash equivalents at beginning of the year		27,074,136	32,644,769
Exchange gain/(loss) on cash and cash equivalents		1,718,817	(1,178,220)
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	23	<u>23,678,121</u>	<u>27,074,136</u>

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

# **eCARGO HOLDINGS LIMITED**

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

### **1 General information**

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

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

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

### **2 Basis of preparation and changes in accounting policies**

#### **2.1 Statement of compliance**

The consolidated financial statements of ECG have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance (Cap.622).

#### **2.2 Basis of preparation of the financial statements**

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

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

- (a) The following new and amendments to standards are mandatory for the first time for the financial year beginning on January 1, 2023, but do not have significant financial impact to ECG.

HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)
HKAS 8	Definition of Accounting Estimates (amendments)
HKAS 12	International Tax Reform – Pillar Two Model Rules (amendments)
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2 Basis of preparation and changes in accounting policies (Continued)****2.2 Basis of preparation of the financial statements (Continued)**

- (b) The following new standards, amendments/revisions to standards and interpretation have been issued, but are not effective for the financial year beginning on January 1, 2023 and have not been early adopted by ECG.

		Effective for accounting periods beginning on or after
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	January 1, 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	January 1, 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	January 1, 2024
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	January 1, 2024
Amendments to HKAS 21	Lack of Exchangeability (amendments)	January 1, 2025
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management**

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

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

**3.1 Financial risk factors**

**(a) Market risk**

**(i) Foreign exchange risk**

ECG mainly operates in Hong Kong and the PRC, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB"), Australian Dollars ("A\$"), United States Dollars ("US\$") and Great Britain Pound ("GBP").

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 December 31, 2023, if HK\$ had strengthened/weakened by 5% against the A\$ with all other variables held constant, post-tax profit for the year would have been approximately HK\$373,000 higher/lower (2022: HK\$511,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of trade receivables and other receivables, trade and other payables and bank deposits denominated in the A\$.

At December 31, 2023, if HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately HK\$707,000 higher/lower (2022: HK\$402,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of trade receivables and other receivables, trade and other payables and bank deposits denominated in the RMB.

At December 31, 2023, 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\$40,000 higher/lower (2022: HK\$184,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade and other payables and bank deposits denominated in the GBP.

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

## **eCARGO HOLDINGS LIMITED**

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

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

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

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

###### **(ii) Cash flow and fair value interest rate risk**

ECG's interest rate risk arises from shareholder's loan and bank borrowings, which is issued at variable rate exposes ECG to cash flow interest rate risk which is partially offset by cash held at variable rates. ECG currently does not hedge its exposure to cash flow. ECG analyses its interest rate exposure on a regular basis and will consider the interest rate exposure when enter into any financing, renewal of existing positions and alternative financing transactions.

ECG's practice is to manage its interest income/cost through monitoring and reviewing interest rate changes in the market and its impact to the ECG's financial performance. During the year, ECG's borrowings at variable rate were denominated in HK\$.

At December 31, 2023, if interest rate on borrowings held at variable rate had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK\$502,000 (2022: HK\$218,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings. The interest rate exposes on cash is considered immaterial as the interest rate of cash is low.

###### **(b) Credit risk**

###### **(i) Risk management**

The credit risk of ECG mainly arises from cash and cash equivalents, trade receivables and other financial assets at amortised cost (2022: same). The carrying amounts of these balances represent ECG's maximum exposure to credit risk in relation to the financial assets.

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

At the date of the consolidated statement of financial position, 70% (2022: 49%) of the total receivables was due from ECG's largest five debtors. There was 2 (2022: 1) customers which individually contributed over 10% of ECG's trade receivables. The amount of trade receivables from these customers amounted to 48.4% (2022: 16.8%) of the ECG's total trade receivables. Accordingly, ECG's consolidated results would be heavily affected by the financial capability of these debtors to fulfill their obligations with ECG. ECG's credit risk monitoring activities relating to the debtors include review of the credit profile, business prospects, background and their financial capacity.

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

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

- trade receivables
- other financial assets carried at amortised cost

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

# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

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

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

##### *Trade receivables*

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

To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and the days past due.

The individually impaired trade receivables relate to customers whose creditworthiness has materially deteriorated and it is assessed that these receivables are not expected to be recovered.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before December 31, 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. ECG has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2023 and 2022 was determined as follows for both trade receivables:

As at December 31, 2023	Lifetime expected loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
Individual assessment	-	-	-	-
Collective assessment				
Current	0%-1.1%	66,659,156	(505,511)	66,153,645
Past due:				
1 to 30 days	0%-1.1%	3,029,047	(23,881)	3,005,166
31 to 60 days	0%-2.5%	2,716,967	(9,657)	2,707,310
61 to 90 days	0%-3.1%	4,567,546	(60,890)	4,506,656
Over 90 days	0%-5.8%	2,845,857	(67,080)	2,778,777
		79,818,573	(667,019)	79,151,554



**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

*Trade receivables (Continued)*

<b>As at December 31, 2022</b>	<b>Lifetime expected loss rate</b>	<b>Gross carrying amount</b>	<b>Lifetime expected credit loss</b>	<b>Net carrying amount</b>
Individual assessment	100%	65,247	(65,247)	-
Collective assessment				
Current	0%-2.1%	15,939,567	(137,039)	15,802,528
Past due:				
1 to 30 days	0%-2.1%	2,408,735	(1,758)	2,406,977
31 to 60 days	0%-3.1%	319,991	(5,217)	314,774
61 to 90 days	0%-3.2%	2,095,372	(6,498)	2,088,874
Over 90 days	0%-65.3%	554,581	(153,742)	400,839
		21,318,246	(304,254)	21,013,992

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

	<b>Trade receivables</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Opening loss allowance at January 1</b>	369,501	963,592
Increase/(decrease) in loss allowance recognised in profit or loss	362,765	(218,478)
Less: disposal of a subsidiary	-	(427,447)
Less: written-off	(65,247)	-
Currency translation differences	-	51,834
<b>Closing loss allowance at December 31</b>	<b>667,019</b>	<b>369,501</b>

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

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

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

*Other financial assets at amortised cost*

Other financial assets at amortised cost include deposits, other receivables and amounts due from related parties. (2022: same). Management monitors closely the credit qualities and the collectability of the other financial assets at amortised cost. As at December 31, 2023, there is no loss allowance in respect of individually assessed receivables (2022: Nil). The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

(c) Liquidity risk

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

As at December 31, 2023, the Company had net current assets of HK\$15,810,804 and net liabilities of HK\$32,065,807. The ultimate holding company, JL Enterprise Holdings Limited (“JL Enterprise”) has in the past offered a total loan facility of HK\$100 million to the Company and up to December 31, 2023, approximately HK\$58.5 million remained available and undrawn. In addition, JL Enterprise has agreed to provide continuing financial support to ECG. Management considered that ECG has sufficient financial resources and position to meet its liquidity needs.

The contractual undiscounted cash flows of ECG’s financial liabilities, which include trade payables, other payables and accruals, amounts due to related parties, put option liabilities and lease liabilities, mature within one year from the date of consolidated statement of financial position, equal to their carrying balances as the impact of discounting is not significant.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(c) Liquidity risk (Continued)

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

	Less than 3 months or repayable on demand HK\$	Between 3 months and 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Total contractual cashflow HK\$	Carrying amount HK\$
<b>At December 31, 2023</b>						
Trade payables	18,123,468	-	-	-	18,123,468	18,123,468
Other payables and accruals	9,157,895	-	-	-	9,157,895	9,157,895
Amounts due to related parties	13,659,002	-	-	16,714,920	30,373,922	30,373,922
Put option liabilities	8,006,700	-	-	-	8,006,700	8,006,700
Lease liabilities	57,371	-	-	-	57,371	53,741
Borrowings	39,720,911	39,152,795	-	-	78,873,706	78,873,706
Shareholder's loan	-	-	41,484,899	-	41,484,899	41,484,899
	<u>88,725,347</u>	<u>39,152,795</u>	<u>41,484,899</u>	<u>16,714,920</u>	<u>186,077,961</u>	<u>186,074,331</u>
<b>At December 31, 2022</b>						
Trade payables	3,551,781	-	-	-	3,551,781	3,551,781
Other payables and accruals	11,855,542	-	-	-	11,855,542	11,855,542
Amounts due to related parties	20,595,838	-	-	18,318,950	38,914,788	38,914,788
Put option liabilities	7,979,700	-	-	-	7,979,700	7,979,700
Lease liabilities	188,348	259,431	57,371	-	505,150	477,302
Borrowings	8,944,639	-	-	-	8,944,639	8,944,639
Shareholder's loan	-	-	43,815,282	-	43,815,282	43,381,467
	<u>53,115,848</u>	<u>259,431</u>	<u>43,872,653</u>	<u>18,318,950</u>	<u>115,566,882</u>	<u>115,105,219</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3 Financial risk management (Continued)****3.1 Financial risk factors (Continued)****(c) Liquidity risk (Continued)**

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

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total undiscounted cash outflow HK\$
<b>At December 31, 2023</b>					
Borrowings	78,414,397	2,738,732	2,249,613	2,320,868	85,723,610
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At December 31, 2022</b>					
Borrowings	1,903,108	1,990,362	3,899,788	2,041,829	9,835,087
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**3.2 Capital management**

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

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

**3.3 Fair value estimation**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4 Critical accounting estimates and judgements**

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

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

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

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

- Property, plant and equipment;
- Intangible assets; and
- Interests in joint ventures

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

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

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

**(b) Net realisable value of inventories**

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

## **eCARGO HOLDINGS LIMITED**

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

#### **5 Segment information**

Management have determined the operating segments based on the information reviewed by the executive directors for the purpose of allocating resources and assessing performance.

The chief operating decision-makers (“CODM”) considers the business from both geographic and services perspective. During the year, due to the Group restructures its business portfolio to focus on growing overseas brands in Asia market following the disposal of eCommerce Solution Services (formally known as “Australia”) effective from 30 April 2022 (Note 13), the CODM has adopted the new reporting format effective for the year ended December 31, 2023 which includes (i) Digital Commerce Service and (ii) Brand Distribution (formerly known as Greater China altogether). The comparative segment information has been restated to reflect the current organisational structure.

The CODM assesses and measures the operating performance of ECG based on the revenue, gross profit and adjusted EBITDA (excluding impact of foreign exchange) as management believes that such information is the most relevant in evaluating the results of ECG’s segments. Adjusted EBITDA (excluding impact of foreign exchange) is defined as profit/loss before income tax, excluding impact of foreign exchange gain/loss, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, finance income, finance expense and ECG’s share of results of joint ventures.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

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

	<b>2023</b>				<b>Discontinued Operation</b>	
	<b>Continuing Operations</b>					
	Digital Commerce Service HK\$	Brand Distribution HK\$	Unallocated corporate income/ (expense) HK\$	Total HK\$	eCommerce Solution Service HK\$	Consolidated HK\$
<b>Revenue from external customers</b>	31,791,706	153,095,877	-	184,887,583	-	184,887,583
<b>Revenue from related companies (Note 30)</b>	3,063,655	249,550	-	3,313,205	-	3,313,205
	<u>34,855,361</u>	<u>153,345,427</u>	<u>-</u>	<u>188,200,788</u>	<u>-</u>	<u>188,200,788</u>
<b>Gross profit</b>	<u>21,407,378</u>	<u>25,024,081</u>	<u>-</u>	<u>46,431,459</u>	<u>-</u>	<u>46,431,459</u>
<b>Adjusted EBITDA gain/(loss) – excluding impact of foreign exchange</b>	16,767,930	3,737,170	(11,348,157)	9,156,943		9,156,943
Net foreign exchange gains	-	621,911	309,985	931,896	-	931,896
Depreciation of property, plant and equipment	-	(21,251)	(96,655)	(117,906)	-	(117,906)
Depreciation of right-of-use assets	(188,219)	(178,180)		(366,399)	-	(366,399)
Amortisation of intangible assets	-	-	(2,722,802)	(2,722,802)	-	(2,722,802)
Finance income	-	-	130,684	130,684	-	130,684
Finance expense	-	(1,198,198)	(2,868,239)	(4,066,437)	-	(4,066,437)
Share of result of joint ventures	-	1,099,289		1,099,289	-	1,874,694
	<u>16,579,711</u>	<u>4,060,741</u>	<u>(16,595,184)</u>	<u>4,045,268</u>	<u>-</u>	<u>4,045,268</u>
Income tax credit	-	695,936	-	695,936	-	695,936
	<u>16,579,711</u>	<u>4,756,677</u>	<u>(16,595,184)</u>	<u>4,741,204</u>	<u>-</u>	<u>4,741,204</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment information (Continued)

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

	2022				<u>Discontinued</u>	
	<u>Continuing Operations</u>				<u>Operation</u>	
	Digital Commerce Service HK\$	Brand Distribution HK\$	Unallocated corporate income/ (expense) HK\$	Total HK\$	eCommerce Solution Service HK\$	Consolidated HK\$
<b>Revenue from external customers</b>	19,463,648	95,688,170	-	115,151,818	13,818,784	128,970,602
<b>Revenue from related companies (Note 30)</b>	6,129,035	4,118,011	-	10,247,046	-	10,247,046
	<u>25,592,683</u>	<u>99,806,181</u>	<u>-</u>	<u>125,398,864</u>	<u>13,818,784</u>	<u>139,217,648</u>
<b>Gross profit</b>	<u>22,250,512</u>	<u>18,158,421</u>	<u>-</u>	<u>40,408,933</u>	<u>12,666,934</u>	<u>53,075,867</u>
<b>Adjusted EBITDA gain/(loss) – excluding impact of foreign exchange</b>	16,278,879	163,777	(8,441,867)	8,000,789	(6,372,895)	1,627,894
Net foreign exchange loss	-	202,015	(543,058)	(341,043)	20,828	(320,215)
Depreciation of property, plant and equipment	-	(9,905)	(50,390)	(60,295)	(68,777)	(129,072)
Depreciation of right-of-use assets	(197,839)	(449,491)	-	(647,330)	(193,719)	(841,049)
Amortisation of intangible assets	-	-	(2,921,074)	(2,921,074)	(329,549)	(3,250,623)
Finance income	-	-	47,086	47,086	6	47,092
Finance expense	-	(606,584)	(698,608)	(1,305,192)	-	(1,305,192)
Share of result of joint ventures	-	1,213,101	-	1,213,101	-	1,213,101
	<u>16,081,040</u>	<u>512,913</u>	<u>(12,607,911)</u>	<u>3,986,042</u>	<u>(6,944,106)</u>	<u>(2,958,064)</u>
Income tax credit/(expense)	-	-	730,271	730,271	1,485,371	2,215,642
<b>Profit/(loss) for the year</b>	<u>16,081,040</u>	<u>512,913</u>	<u>(11,877,640)</u>	<u>4,716,313</u>	<u>(5,458,735)</u>	<u>(742,422)</u>



**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

The segment assets and liabilities as at December 31, 2023 and 2022 are as follows:

	<b><u>Continuing operations</u></b>				<b><u>Discontinued operation</u></b>	
	Digital Commerce Service HK\$	Brand Distribution HK\$	Unallocated Corporate Assets/(Liabilities) HK\$	Total HK\$	eCommerce Solution Service HK\$	Consolidated HK\$
<b>As at December 31, 2023</b>						
Segment assets	29,254,253	105,800,032	24,490,152	159,544,437	-	159,544,437
Deferred income tax assets	-	337,000	-	337,000	-	337,000
	<u>29,254,253</u>	<u>106,137,032</u>	<u>24,490,152</u>	<u>159,881,437</u>	<u>-</u>	<u>159,881,437</u>
Segment liabilities	<u>(27,117,381)</u>	<u>(67,992,374)</u>	<u>(97,412,108)</u>	<u>(192,521,863)</u>	<u>-</u>	<u>(192,521,863)</u>
<b>As at December 31, 2022</b>						
Segment assets	26,969,869	32,410,234	23,773,089	83,153,192	-	83,153,192
Deferred income tax assets	-	341,821	-	341,821	-	341,821
	<u>26,969,869</u>	<u>32,752,055</u>	<u>23,773,089</u>	<u>83,495,013</u>	<u>-</u>	<u>83,495,013</u>
Segment liabilities	<u>(46,252,289)</u>	<u>(50,413,288)</u>	<u>(25,133,791)</u>	<u>(121,799,368)</u>	<u>-</u>	<u>(121,799,368)</u>

**Information about major customer**

For the year ended December 31, 2023, there were two external customers contributing 10% or more of ECG's total revenue (2022: two).

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5 Segment information (Continued)**

Geographical information

	<b>Revenue</b>		<b>Non-current assets</b>	
	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$
<b>Continuing operations</b>				
Hong Kong	121,866,292	98,097,584	15,192,284	10,849,979
The PRC	43,207,830	15,052,341	353,402	231,254
Australia	15,429,108	11,736,928	-	5,329,837
Singapore	7,098,000	-	-	-
Malaysia	599,558	512,011	-	-
<b>Discontinued operation</b>				
Australia	-	13,818,784	-	-
	<u>188,200,788</u>	<u>139,217,648</u>	<u>15,545,686</u>	<u>16,411,070</u>

Revenue by geographical location is determined by the location of customers.

Non-current assets by geographical location are determined based on the location of the relevant assets.

*Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2023	2022
	HK\$	HK\$
<i>Revenue recognised that was included in the contract liabilities balance at the beginning of the year</i>		
Services income	-	918,941

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****6 Revenue**

Revenue recognised during the year was as follows:

	2023 HK\$	2022 HK\$
Service income – recognised over time	42,855,361	25,544,826
Sales of goods – recognised at a point in time	145,345,427	99,854,038
	<u>188,200,788</u>	<u>125,398,864</u>

**(a) Account policies of revenue recognition**

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if ECG's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as ECG performs; or
- does not create an asset with an alternative use to ECG and ECG has an enforceable right to payment for performance completed to date.

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

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

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

A contract asset is ECG's right to consideration in exchange for goods and services that ECG has transferred to a customer. A receivable is recorded when ECG has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

## **eCARGO HOLDINGS LIMITED**

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

#### **6 Revenue (Continued)**

If a customer pays consideration or ECG has a right to an amount of consideration that is unconditional, before ECG transfers a good or service to the customer, ECG presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is ECG's obligation to transfer goods or services to a customer for which ECG has received consideration (or an amount of consideration is due from the customer).

##### **(i) Sale of goods**

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

Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or ECG has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present.

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

##### **(ii) Service income**

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

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

	2023 HK\$	2022 HK\$
Outsourced services fulfilment expenses, included in cost of sales	1,674,489	3,342,172
Other direct costs, included in cost of sales	3,628,906	11,548,895
Cost of inventories, included in cost of sales	136,465,934	70,098,864
Auditor's remuneration		
– Audit services	1,355,000	1,275,000
Employee benefit expenses (Note 8)	27,685,275	23,782,109
Consultancy fees	1,693,193	2,074,852
Outsourced labour costs (Note 30)	600,000	600,000
Amortisation of intangible assets (Note 16)	2,722,802	2,921,074
Depreciation of property, plant and equipment (Note 15(a))	117,906	60,295
Depreciation of right of use assets (Note 15(b))	366,399	647,330
Legal and professional expenses	915,277	576,467
Travel expenses	660,653	443,532
Operating leases rental (Note 15(b))	1,163,049	602,038
IT expenses	801,383	542,336
Advertising and marketing expenses	2,321,796	4,406,665
Entertainment and gift	1,468,095	1,504,923
Telecommunication expenses	131,173	129,634
Insurance expenses	526,136	175,777
Other expenses	2,092,430	1,396,897
	<u>186,389,896</u>	<u>126,128,860</u>

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

	2023 HK\$	2022 HK\$
Wages and salaries	26,044,539	20,968,484
Pension costs	1,458,649	2,556,055
Other employee benefits and welfare	182,087	257,570
	<u>27,685,275</u>	<u>23,782,109</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 December 31, 2023:

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

				Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	<u>Fees</u> HK\$	<u>Salary</u> HK\$	<u>Others*</u> HK\$	HK\$	HK\$	HK\$	HK\$
Mr. John Lau <sup>^</sup>	-	-	-	-	-	-	-
Mr. John Lines <sup># 1</sup>	94,062	-	-	-	-	-	94,062
Mr. Yuming Zou <sup>#</sup>	94,061	-	-	-	-	-	94,061
Mr. Von Lam <sup>#</sup>	94,061	-	-	-	-	-	94,061
	<u>282,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,184</u>

<sup>^</sup>: Executive Director

<sup>#</sup>: Independent Non-Executive Directors

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

<sup>1</sup>: Appointed on May 31, 2022

# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### (a) Directors' emoluments (Continued)

For the year ended December 31, 2022:

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

				Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	<u>Fees</u>	<u>Salary</u>	<u>Others*</u>	<u>scheme</u>	<u>as Director</u>	<u>undertaking</u>	<u>Total</u>
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. John Lau <sup>^</sup>	-	-	-	-	-	-	-
Mr. John Lines <sup># 1</sup>	56,160	-	-	-	-	-	56,160
Mr. Rupert Myer AO <sup># 2</sup>	42,206	-	-	-	-	-	42,206
Mr. Yuming Zou <sup>#</sup>	98,098	-	-	-	-	-	98,098
Mr. Von Lam <sup>#</sup>	98,098	-	-	-	-	-	98,098
	<u>294,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,562</u>

<sup>^</sup>: Executive Director

<sup>#</sup>: Independent Non-Executive Directors

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

<sup>1</sup>: Appointed on May 31, 2022

<sup>2</sup>: Resigned on May 31, 2022

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

None of the Directors received or will receive any retirement benefits or termination benefits during the year (2022: 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 (2022: Nil).

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

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

No loans, quasi-loans and other dealing were made in favour of Directors, controlled bodies corporate by and connected entities with such Directors at the end of the year or at any time during the year (2022: Nil).

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

Other than those disclosed in Note 30 to the financial statements, no significant transactions, arrangements and contracts in relation to ECG's business to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**10 Other income**

	2023 HK\$	2022 HK\$
Government grant	-	216,000
IT consultancy income (Note 30(a))	2,191,385	2,087,828
Management fee income (Note 30(a))	1,991,224	2,137,268
Others	319,100	442,512
	<u>4,501,709</u>	<u>4,883,608</u>

There is no Employment Support Scheme (2022: HK\$216,000) was recognised for the year ended December 31, 2023. There are no unfulfilled conditions or other contingencies attaching to these grants. ECG did not benefit directly from any other forms of government assistance.

**Other gains/(losses)**

	2023 HK\$	2022 HK\$
Net foreign exchange gains/(losses)	<u>931,896</u>	<u>(341,043)</u>



**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**11 Finance expense - net**

	2023 HK\$	2022 HK\$
Finance income:		
- Interest income on short-term bank deposits	130,684	47,086
	-----	-----
Finance expense:		
- Interest and finance charge paid/payable for lease liabilities (Note 15(b))	(13,152)	(52,435)
- Interest expense on shareholder's loan	(1,857,654)	(698,608)
- Interest expense on bank and other borrowings	(2,195,631)	(554,149)
	-----	-----
	(4,066,437)	(1,305,192)
	-----	-----
Finance expense - net	<u>(3,935,753)</u>	<u>(1,258,106)</u>

**12 Income tax credit**

	2023 HK\$	2022 HK\$
Current income tax		
- Australian corporate tax	-	242,141
Deferred income tax (Note 25)	(695,936)	(2,457,783)
	-----	-----
Income tax credit	<u>(695,936)</u>	<u>(2,215,642)</u>
	-----	-----
Income tax credit is attributable to:		
- Profit from continuing operations	(695,936)	(730,271)
- Loss from discontinued operation	-	(1,485,371)
	-----	-----
	<u>(695,936)</u>	<u>(2,215,642)</u>
	-----	-----

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2022:16.5%). For the year ended December 31, 2023, tax recession relates to tax reduction to tax payable under Two-Tiered Profits Rates Regime capped at HK\$165,000 for one of the Hong Kong incorporated entities of the Group (2022: HK\$165,000). No provision for Hong Kong profits tax has been made as ECG had sufficient tax losses brought forward to offset against the estimated assessable profit for the year ended December 31, 2023 and 2022.

Subsidiaries established in Australia and the PRC are subject to 30% (2022: 30%) and 25% (2022: 25%) income tax rate during the year respectively. No provision for PRC profits tax has been made as there was no assessable profit for the year ended December 31, 2023 and 2022 in PRC.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****12 Income tax credit (Continued)**

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

	2023 HK\$	2022 HK\$
Profit before income tax from continuing operations	4,045,268	3,986,042
Loss profit before income tax from discontinuing operations	-	(6,944,106)
Less: joint venture's results reported net of tax	(1,099,289)	(1,213,101)
	<u>2,945,979</u>	<u>(4,171,165)</u>
Tax calculated at domestic tax rates applicable in the respective countries	(1,298,110)	(1,474,399)
Tax effect of:		
- Income not subject to tax	(89,346)	(35,640)
- Expenses not deductible for tax purposes	565,961	530,620
- Temporary differences not recognised	(198,343)	(53,450)
- Tax losses for which no deferred income tax assets were recognised	5,013,907	2,742,569
- Utilisation of previously unrecognised tax loss	(4,690,005)	(3,925,342)
Income tax credit	<u>(695,936)</u>	<u>(2,215,642)</u>

**13 Discontinued operation**

On 30 April 2022, eCargo Holdings Limited disposed of the entire equity interest of Amblique Pty Limited ("Amblique"), a wholly-owned subsidiary, in the form of management buy-out at a total consideration of US\$5,000,000 (approximately HK\$39,000,000). Upon completion of the disposal on 30 April 2022, the Group recorded a gain of approximately HK\$28,797,000.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13 Discontinued operation (Continued)**

The financial information relating to Amblique for the period to the date of disposal was reported as discontinued operations. The financial performance and cash flow information of the discontinued operation reflects the operations for the four months ended 30 April 2022 and are presented below:

	2022 HK\$
Revenue	13,818,784
Cost of sales	(1,151,850)
<b>Gross Profit</b>	<b>12,666,934</b>
Other income and other gains, net	136,797
Selling and distribution expense	(457,507)
Administrative expenses	(17,909,138)
Research and development expense	(1,381,198)
Finance income, net	6
<b>Loss before income tax</b>	<b>(6,944,106)</b>
Income tax credit	1,485,371
<b>Loss after income tax of discontinued operation</b>	<b>(5,458,735)</b>
Gain on disposal of a subsidiary after income tax (see below)	28,797,432
<b>Profit for the period from discontinued operation</b>	<b>23,338,697</b>
Exchange differences on translation of discontinued operation	3,057,237
<b>Other comprehensive income from discontinued operations</b>	<b>3,057,237</b>

Cash flows are detailed as follows:

	2022 HK\$
Operating cash flows	(614,554)
Investing cash flows	(59,260)
Financing cash flows	(277,968)
<b>Total cash flows</b>	<b>(951,782)</b>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****13 Discontinued operation (Continued)**

The gain on disposal is as follows:

	HK\$
Cash consideration receivable (Note)	39,000,000
Carrying amount of net assets disposed of	(4,636,037)
Transaction costs	(623,200)
Income tax expense on gain	(1,886,094)
Reclassification of currency translation differences	(3,057,237)
<b>Gain on disposal</b>	<b>28,797,432</b>
Cash received	39,000,000
Cash and cash equivalents disposed of	(6,593,021)
Inflow of cash arising from discontinued operation	32,406,979

Note: The cash consideration was received in August 2022.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****14 Earnings per share****(a) Basic**

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

	2023 HK\$	2022 HK\$
Earnings attributable to owners of the Company (HK\$)		
- From continuing operations	4,741,204	4,716,313
- From discontinued operation	-	23,338,697
	<u>4,741,204</u>	<u>28,055,010</u>
Weighted average number of ordinary shares in issue	<u>615,250,000</u>	<u>615,250,000</u>
Basic and diluted earnings per share (HK cent)		
- From continuing operations	0.77	0.77
- From discontinued operation	-	3.79
	<u>0.77</u>	<u>4.56</u>

**(b) Diluted**

Diluted earnings per share for the year is equal to the basic earnings per share as there are no potential dilutive ordinary shares outstanding during the year (2022: same).

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15(a) Property, plant and equipment**

	Furniture and fixtures HK\$	Computer equipment HK\$	Office equipment HK\$	Leasehold improvement HK\$	Total HK\$
As at January 1, 2022					
Cost	811,487	3,052,781	1,021,986	4,775,000	9,661,254
Accumulated depreciation and impairment	(557,589)	(2,670,727)	(997,026)	(4,775,000)	(9,000,342)
Net book amount	253,898	382,054	24,960	-	660,912
Year ended December 31, 2022					
Opening net book amount	253,898	382,054	24,960	-	660,912
Additions	-	98,579	-	-	98,579
Depreciation charge (Note)	(14,734)	(107,901)	(6,437)	-	(129,072)
Disposal of a subsidiary	(228,162)	(292,480)	-	-	(520,642)
Currency translation differences	(11,002)	(14,911)	(1,461)	-	(27,374)
Closing net book amount	-	65,341	17,062	-	82,403
As at December 31, 2022					
Cost	218,877	1,710,100	929,498	4,509,042	7,367,517
Accumulated depreciation and impairment	(218,877)	(1,644,759)	(912,436)	(4,509,042)	(7,285,114)
Net book amount	-	65,341	17,062	-	82,403
Year ended December 31, 2023					
Opening net book amount	-	65,341	17,062	-	82,403
Additions	-	247,145	9,370	-	256,515
Depreciation charge (Note)	-	(110,956)	(6,950)	-	(117,906)
Currency translation differences	-	(4,643)	(1,752)	--	(6,395)
Closing net book amount	-	196,887	17,730	-	214,617
As at December 31, 2023					
Cost	-	405,510	31,380	-	436,890
Accumulated depreciation and impairment	-	(208,623)	(13,650)	-	(222,273)
Net book amount	-	196,887	17,730	-	214,617

Note: Depreciation of property, plant and equipment included HK\$117,906 for continuing operations for the year ended December 31, 2023 (2022: HK\$60,295). Depreciation for right-of-use assets included HK\$366,399 for continuing operations for the year ended December 31, 2023 (2022: HK\$647,330). The remaining amounts are attributable to the discontinued operation in 2022.

## **eCARGO HOLDINGS LIMITED**

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

#### **15(a) Property, plant and equipment (Continued)**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	over the shorter of lease term and useful life
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	33.33%

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other gains/(losses) – net" in the consolidated statement of comprehensive income.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15(b) Leases**

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

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

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

	2023 HK\$	2022 HK\$
<b>Right-of-use assets</b>		
Buildings	46,794	422,665
<b>Lease liabilities</b>		
Current	53,741	422,057
Non-current	-	55,245
	53,741	477,302

There were no additions to the right-of-use assets during the 2023 financial year (2022: Nil).

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

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

	Note	2023 HK\$	2022 HK\$
<b>Depreciation charge of right-of-use assets</b>			
Buildings	7	366,399	647,330
Interest expense (included in finance cost)	11	13,152	52,435
Expenses relating to short-term leases (included in administrative expenses)	7	1,163,049	602,038
		1,176,201	654,473

The total cash outflow for leases in 2023 was HK\$1,533,815 (2022: HK\$753,404).



**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15(b) Leases (Continued)**

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

ECG leases various offices. Rental contracts are typically made for fixed periods of 12 months to 3 years, there are no extension options in the rental contracts.

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

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**16 Intangible assets**

	Goodwill HK\$	Contractual customer relationships HK\$	Supplier relationships HK\$	Brand name HK\$	Software HK\$	Total HK\$
As at January 1, 2022						
Cost	70,296,489	6,863,106	26,462,617	28,937,508	112,511,089	245,070,809
Accumulated amortisation and impairment	(70,296,489)	(6,863,106)	(23,390,479)	(12,981,360)	(111,736,144)	(225,267,578)
Net book value	-	-	3,072,138	15,956,148	774,945	19,803,231
Year ended December 31, 2022						
Opening net book amount	-	-	3,072,138	15,956,148	774,945	19,803,231
Amortisation charge (Note)	-	-	(1,007,242)	(2,135,724)	(107,657)	(3,250,623)
Disposal of a subsidiary	-	-	-	(2,001,328)	(635,885)	(2,637,213)
Currency translation differences	-	-	(162,229)	(865,697)	(31,403)	(1,059,329)
Closing net book value	-	-	1,902,667	10,953,399	-	12,856,066
As at December 31, 2022						
Cost	55,095,047	-	25,266,643	19,052,577	-	99,414,267
Accumulated amortisation and impairment	(55,095,047)	-	(23,363,976)	(8,099,178)	-	(86,558,201)
Net book value	-	-	1,902,667	10,953,399	-	12,856,066
Year ended December 31, 2023						
Opening net book amount	-	-	1,902,667	10,953,399	-	12,856,066
Addition	-	-	-	-	1,814,078	1,814,078
Amortisation charge (Note)	-	-	(837,644)	(1,834,766)	(50,392)	(2,722,802)
Currency translation differences	-	-	(16,075)	(12,251)	-	(28,326)
Closing net book value	-	-	1,048,948	9,106,382	1,763,686	11,919,016
As at December 31, 2023						
Cost	-	-	24,985,788	18,840,795	1,763,686	45,590,269
Accumulated amortisation and impairment	-	-	(23,936,840)	(9,734,413)	-	(33,671,253)
Net book value	-	-	1,048,948	9,106,382	1,763,686	11,919,016

Note: Amortisation of intangible assets included HK\$2,722,802 for continuing operations for the year ended December 31, 2023 (2022: HK\$2,921,074). The remaining amounts are attributable to the discontinued operation.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****16 Intangible assets (Continued)****(a) Impairment tests for intangible assets of CGUs**

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

	2023 HK\$	2022 HK\$
FMCG CGU (Note i)		
- Supplier relationships	1,048,948	1,902,667
- Brand name	9,106,382	10,953,399
- Software	1,763,686	-
	<u>11,919,016</u>	<u>12,856,066</u>

**(i) FMCG CGU**

As at December 31, 2023 and 2022, since no impairment indicator was identified for the FMCG CGU for intangible assets other than goodwill, no detailed impairment assessment to determine the recoverable amount of those assets was considered necessary.

**(b) Amortisation**

A total of amortisation expense of HK\$2,722,802 for continuing operations (2022: HK\$2,921,074) has been charged to administrative expenses for the year ended December 31, 2023.

**(c) Accounting policies on intangible assets****(i) Goodwill**

Goodwill is measured as described in Note 34.5. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

**(ii) Brand name**

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

## **eCARGO HOLDINGS LIMITED**

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

#### **16 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 relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships of 5 years.

(d) Supplier relationships

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

(e) Software

Costs associated with maintaining software programmes 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 the group are recognised as intangible assets where the following criteria are met:

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

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

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

(f) Amortisation method and periods

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

Brand name	10 years
Contractual customer relationships	5 years
Supplier relationships	5-10 years
Software	3 years

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 17 Subsidiaries

As at December 31, 2023, the principal subsidiaries that the Company has direct and indirect interests are set out below:

<u>Name</u>	Place of incorporation/ establishment and kind of <u>legal entity</u>	Principal activities and <u>place of operation</u>	Equity interest held by the Company <u>directly</u>	Equity interest held by the Company <u>indirectly</u>	Particulars of issued share capital/registered <u>capital</u>
eCargo Enterprise Limited	Hong Kong, limited liability	Provision of eCommerce technologies services in Hong Kong	100%	-	HK\$1,000 ordinary share capital
ECG Digital Holdings Limited	British Virgin Islands (“BVI”), limited liability	Investment holdings in Hong Kong	100%	-	50,000 ordinary shares of US\$1 each
Jessica’s Suitcase Pty Limited	Australia, limited liability	Operating an online store and trading in Australia	100%	-	2,116 ordinary shares of A\$51,513
ECG Distribution Holdings Limited	BVI, limited liability	Investment holdings in BVI	100%	-	50,000 ordinary shares of US\$1 each
ECG Asia Limited	BVI, limited liability	Investment holdings in BVI	100%	-	50,000 ordinary shares of US\$1 each
ECG Digital Commerce Limited	Hong Kong, limited liability	Provision of eMarketplace technology services in Hong Kong	-	100%	HK\$10,000 ordinary share capital
eCargo (China) Holdings Limited	BVI, limited liability	Investment holdings in BVI	-	100%	1 ordinary share of US\$1 each
ECTrade Limited	Hong Kong, limited liability	Provision of eCommerce technologies services in Hong Kong	-	100%	1,000 ordinary shares of HK\$1 each
JLE (China) Limited	Hong Kong, limited liability	Investment holdings in Hong Kong	-	100%	HK\$100 ordinary share capital
Jessica’s Suitcase Co. Limited	Hong Kong, limited liability	Trading in Hong Kong	-	100%	HK\$10,000 ordinary share capital

## eCARGO HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 17 Subsidiaries (Continued)

As at December 31, 2023, the Company's principal subsidiaries that has direct and indirect interests are set out below: (Continued)

<u>Name</u>	Place of incorporation/ establishment and kind of <u>legal entity</u>	Principal activities and place of <u>operation</u>	Equity interest held by the Company <u>directly</u>	Equity interest held by the Company <u>indirectly</u>	Particulars of issued share capital/registered <u>capital</u>
深圳市嘉宏天成 貿易發展有限 公司	The PRC, limited liability	Provision of eCommerce business services in PRC	-	100%	RMB13,000,000 registered share capital
杰叶商貿(上海) 有限公司	The PRC, limited liability	Provision of eCommerce support and marketing services in PRC	-	100%	US\$10,000,000 registered share capital
Metcash Export Services Pty Limited	Australia, limited liability	Operating an online store and trading of FMCG in Australia	-	85% (note)	100 ordinary shares of A\$1 each
Metcash Asia Limited	The PRC, limited liability	Provision of eCommerce support, trading and marketing services and trading in PRC	-	85% (note)	RMB 9,000,000 registered share capital

#### Note

ECG acquired 85% interest in Metcash Export Services Pty Limited ("MES") and Metcash Asia Limited ("MAL") (collectively the "MES Group") in February 2019. Management concluded that ECG has effectively control the remaining 15% equity interest of MES Group. Further details are included in Note 31. As such, ECG has not recognised any non-controlling interest in respect of the remaining 15% equity interest legally held by remaining shareholders of MES and ECG has accounted for MES Group as 100% owned in the consolidated financial statements of the Group.

# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 Interests in joint ventures

	2023 HK\$	2022 HK\$
<b><u>Interests in joint ventures</u></b>		
Beginning of the year	2,708,115	2,856,736
Share of results from joint ventures	1,099,289	1,213,101
Dividend received from joint ventures	(779,145)	(1,361,722)
	<hr/>	<hr/>
End of the year	3,028,259	2,708,115
	<hr/>	<hr/>

				% of ownership interest		
				As at December 31		
Name of entity	Principal activity	Place of business	Country of incorporation	2023	2022	Measurement method
PJF Wines Limited	Trading of dining wine	Hong Kong	BVI	50%	50%	Equity method
Mellow Asia Limited	Trading of non-psychoactive chemical products	Hong Kong	Hong Kong	50%	50%	Equity method
Asean Business Group Pty Limited (“ABG”)	Trading of fast moving consumer goods	Australia	Australia	33.33%	33.33%	Equity method

### Reconciliation of summarised financial information

#### Summarised financial information for joint ventures

Set out below is the summarised financial information of the material joint venture as at and for the year ended December 31, 2023 and 2022 which are accounted for using the equity method.

	ABG 2023 HK\$	ABG 2022 HK\$
Current assets	23,866,248	9,897,195
Current liabilities	(22,746,405)	(7,874,994)
Profit after income tax	3,297,867	4,405,964

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

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****18 Interests in joint venture (Continued)**

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

	ABG 2023 HK\$	ABG 2022 HK\$
<b>Net assets</b>		
Beginning of the year	7,354,173	6,662,491
Profit for the year	3,297,867	4,405,964
Distribution to shareholders	(2,337,435)	(4,085,166)
Currency translation difference	61,242	370,884
	<hr/>	<hr/>
End of the year	8,375,847	7,354,173
Percentage of ownership interest	33.33%	33.33%
	<hr/>	<hr/>
Interest in joint ventures	<u>2,791,670</u>	<u>2,451,146</u>

**Individually immaterial joint ventures**

In addition to the interests in joint ventures of ABG disclosed above, ECG also has interests in joint ventures of PJF and Mellow whose financial information are individually immaterial as at and for the year ended December 31, 2023. As at December 31, 2023, the carrying amount of interest in individually immaterial joint ventures that are accounted for using the equity method were approximately HK\$236,000 (2022: HK\$381,000).



**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19 Financial instruments by category**

**ECG holds the following instruments:**

	2023 HK\$	2022 HK\$
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding prepayments)	94,719,312	24,298,560
Amounts due from related parties	10,531,158	8,208,908
Cash and cash equivalents	23,678,121	27,074,136
	<u>128,928,591</u>	<u>59,581,604</u>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade and other payables (excluding non-financial liabilities)	27,281,363	14,820,671
Amounts due to related parties	30,373,922	38,914,788
Shareholder's loan	41,484,899	43,381,467
Bank and other borrowings	78,873,706	8,944,639
Put option liabilities	8,006,700	7,979,700
Lease liabilities	53,741	477,302
	<u>186,074,331</u>	<u>114,518,567</u>

**20 Inventories**

	2023 HK\$	2022 HK\$
Finished goods	<u>12,613,171</u>	<u>7,239,712</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to HK\$136,465,934 (2022: HK\$70,098,864).

There was no write down of inventories to net realisable value during the year ended December 31, 2023 (2022: Nil).

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of First-in-First-out. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**21 Trade receivables**

	2023 HK\$	2022 HK\$
Trade receivables	79,818,573	21,383,493
Less: provision for impairment	(667,019)	(369,501)
	<u>79,151,554</u>	<u>21,013,992</u>

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

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

	2023 HK\$	2022 HK\$
Current	66,153,645	15,802,528
1 – 30 days	3,005,166	2,406,977
31 – 60 days	2,707,310	314,774
61 – 90 days	4,506,656	2,088,874
Over 90 days	2,778,777	400,839
	<u>79,151,554</u>	<u>21,013,992</u>

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

The loss allowance increased by HK\$297,518 to HK\$667,019 for trade receivables assessed under individual and collective assessments during the current reporting period. ECG does not hold any collateral or other credit enhancements over these balances.

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

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

	2023 HK\$	2022 HK\$
HK\$	23,600,017	5,939,130
RMB	5,251,747	3,262,827
A\$	5,217,463	8,115,689
GBP	4,047,561	1,630,622
US\$	41,034,766	1,953,882
Others	-	111,842
	<u>79,151,554</u>	<u>21,013,992</u>

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

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****21 Trade receivables (Continued)**

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. ECG holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 34.10 for a description of ECG's impairment policies.

**22 Prepayments, deposits and other receivables**

	2023 HK\$	2022 HK\$
<b>Current</b>		
Prepayments	532,768	262,627
Prepayments for purchase of goods	2,261,221	-
Rental and utilities deposits	2,547,309	2,861,850
Deposit to a supplier	9,981,000	-
Other receivables	3,039,449	422,718
	<u>18,361,747</u>	<u>3,547,195</u>

Other receivables were neither past due nor impaired and they were interest-free and repayable on demand as at December 31, 2023 and 2022. 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:

	2023 HK\$	2022 HK\$
HK\$	13,998,183	779,392
RMB	2,140,609	94,766
A\$	2,222,955	2,410,410
	<u>18,361,747</u>	<u>3,284,568</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****23 Cash and cash equivalents**

Cash and cash equivalents are denominated in the following currencies:

	2023 HK\$	2022 HK\$
Cash on hand		
HK\$	10,054	13,455
RMB	77,629	67,900
	<u>87,683</u>	<u>81,355</u>
Cash at banks		
HK\$	3,726,104	407,631
RMB	1,688,037	4,758,286
A\$	3,122,055	3,174,995
US\$	14,222,828	14,561,475
GBP	117,429	3,054,560
Others	713,985	1,035,834
	<u>23,590,438</u>	<u>26,992,781</u>
Total	<u><u>23,678,121</u></u>	<u><u>27,074,136</u></u>

As at December 31, 2023, the amount of cash at banks represented ECG's maximum exposure to credit risk.

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

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**24 Trade payables, other payables and accruals**

	2023 HK\$	2022 HK\$
Trade payables	18,123,468	3,551,781
Accrued expenses	3,816,280	2,359,657
Accrued employee benefit expenses	650,435	1,139,761
Other payables	5,341,615	6,470,030
Other tax payables	-	1,886,094
Other payables and accruals	9,808,330	11,855,542
	27,931,798	15,407,323

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

	2023 HK\$	2022 HK\$
HK\$	16,410,681	7,097,194
RMB	6,203,750	4,433,559
A\$	5,317,367	3,583,400
Others	-	293,170
	27,931,798	15,407,323

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**25 Deferred income tax**

	2023 HK\$	2022 HK\$
At January 1	(6,352,328)	(6,016,815)
Credited to the consolidated statement of comprehensive income (Note 12)	695,936	2,457,783
Currency translation differences	(4,491)	299,639
Disposal of a subsidiary	-	(3,092,935)
At December 31	<u>(5,660,883)</u>	<u>(6,352,328)</u>

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

**(i) Deferred income tax assets**

Movements	Deferred revenue HK\$	Accruals & provision HK\$	Right-of-use assets HK\$	Other HK\$	Total HK\$
<b>At January 1, 2022</b>	409,576	1,749,914	129,313	121,452	2,410,255
Charged to the consolidated statement of comprehensive income	478,279	864,743	151,005	141,818	1,635,845
Disposal of a subsidiary	(854,183)	(2,157,961)	(269,688)	(238,982)	(3,520,814)
Currency translation differences	(33,672)	(114,875)	(10,630)	(24,288)	(183,465)
<b>At December 31, 2022</b>	<u>-</u>	<u>341,821</u>	<u>-</u>	<u>-</u>	<u>341,821</u>
<b>At January 1, 2023</b>	-	341,821	-	-	341,821
Credited to the consolidated statement of comprehensive income	-	(4,163)	-	-	(4,163)
Currency translation differences	-	(658)	-	-	(658)
<b>At December 31, 2023</b>	<u>-</u>	<u>337,000</u>	<u>-</u>	<u>-</u>	<u>337,000</u>

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**25 Deferred income tax (Continued)**

**(ii) Deferred income tax liabilities**

Movements	Accelerated depreciation and amortisation HK\$	Accrued income HK\$	Total HK\$
<b>At January 1, 2022</b>	(8,298,624)	(128,446)	(8,427,070)
Credited to the consolidated statement of comprehensive income	795,699	26,239	821,938
Disposal of a subsidiary	330,592	97,287	427,879
Currency translation differences	478,184	4,920	483,104
<b>At December 31, 2022</b>	<u>(6,694,149)</u>	<u>-</u>	<u>(6,694,149)</u>
<b>At January 1, 2023</b>	(6,694,149)	-	(6,694,149)
Credited to the consolidated statement of comprehensive income	700,099	-	700,099
Currency translation differences	(3,833)	-	(3,833)
<b>At December 31, 2023</b>	<u>(5,997,883)</u>	<u>-</u>	<u>(5,997,883)</u>

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

As at December 31, 2023, ECG did not recognise deferred income tax assets of HK\$21,261,064 (2022: HK\$24,871,880) in respect of accumulated losses amounting to HK\$94,734,925 (2022: HK\$120,587,375) that can be carried forward against future taxable income. As at December 31, 2023, in respect of the accumulated losses of HK\$37,610,403 and HK\$15,484,347 arising in Hong Kong and Australia, respectively, does not have any expiry date while the accumulated tax losses of HK\$14,549,988, HK\$7,117,812, HK\$11,478,767 and HK\$8,493,608 arising in the PRC will be expired in 2025, 2026, 2027 and 2028.

**26 Share capital**

	Number of shares	Share capital HK\$
As at January 1, 2022, December 31, 2022 and December 31, 2023	<u>615,250,000</u>	<u>427,820,968</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****27 Notes to the consolidated statement of cash flows**

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

	2023 HK\$	2022 HK\$
Profit before income tax	4,045,268	3,986,042
Adjustments for:		
- Depreciation of property, plant and equipment (Note 15(a))	117,906	60,295
- Depreciation of right-of-use assets (Note 15(b))	366,399	647,330
- Amortisation of intangible assets (Note 16)	2,722,802	2,921,074
- Net foreign exchange (gains)/losses (Note 10)	(931,896)	341,043
- Provision for/(reversal of) impairment of trade receivables (Note 3.1)	362,765	(218,478)
- Finance income (Note 11)	(130,684)	(47,086)
- Finance expense (Note 11)	4,066,437	1,305,192
- Share of results of joint ventures (Note 18)	(1,099,289)	(1,213,101)
	9,519,708	7,782,311
Changes in working capital:		
- Inventories	(5,373,459)	(4,027,553)
- Trade receivables	(58,500,327)	(1,590,244)
- Prepayments, deposits and other receivables	(14,814,552)	(2,218,585)
- Trade payables	14,571,687	782,499
- Other payables and accruals	(2,047,212)	5,282,640
- Balances with related parties	(11,370,322)	3,876,132
Cash (used in)/generate from operations	(68,014,477)	9,887,200



# eCARGO HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 Notes to the consolidated statement of cash flows (Continued)

#### (b) Reconciliation of liabilities arising from financial activities

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

	Shareholder's loan HK\$	Leases liabilities HK\$	Borrowings HK\$	Total HK\$
<b>Balance as at January 1, 2022</b>	(92,782,809)	(2,288,306)	(4,589,000)	(99,660,115)
Cash flows	50,099,950	1,031,372	(3,801,490)	47,329,832
Interest accrued	(698,608)	(52,435)	(554,149)	(1,305,192)
Foreign exchange adjustments	-	115,757	-	115,757
Disposal of a subsidiary	-	716,310	-	716,310
<b>Balance as at December 31, 2022</b>	(43,381,467)	(477,302)	(8,944,639)	(52,803,408)
Cash flows	3,247,016	426,011	(67,733,436)	(64,060,409)
Interest accrued	(1,350,448)	(13,152)	(2,195,631)	(3,559,231)
Foreign exchange adjustments	-	10,702	-	10,702
<b>Balance as at December 31, 2023</b>	(41,484,899)	(53,741)	(78,873,706)	(120,412,346)

- (i) Other changes include non-cash movements, including accrued interest expense which was settled by non-cash payment.

### 28 Shareholder's loan

	2023 HK\$	2022 HK\$
Shareholder's loan	41,484,899	43,381,467

On 29 August 2016, ECG entered into an agreement with JL Enterprises Holdings Limited, ECG's ultimate holding company, wholly owned by Mr. John Lau, the Executive Chairman of ECG. Pursuant to the agreement, JL Enterprises Holdings Limited agreed, to provide a loan facility in an aggregate amount of up to HK\$50 million to support ECG's working capital requirements. On March 15, 2017, an addendum agreement was signed to amend the maximum outstanding amount of the loan facility to HK\$70 million. On February 14, 2019, another addendum agreement was signed to amend the maximum outstanding amount of the loan facility to HK\$100 million (Note 30). As at December 31, 2023, the carrying amount of the shareholder's loan from JL Enterprises Holdings Limited amounted to HK\$41,484,899 (2022: HK\$43,381,467), representing the outstanding principal amounts and interest accrued thereon.

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****28 Shareholder's loan (Continued)**

For the year ended December 31, 2023, all loan facilities are unsecured and bear interest at prime rate quoted from the Hong Kong and Shanghai Banking Corporation Limited minus 2.5% per annum (2022: unsecured and bear interest at 1% quoted from the Hong Kong and Shanghai Banking Corporation Limited). The interest rate is subject to review with shareholder from time to time. All loan facilities can be utilised at ECG's demand and are repayable in accordance with a separate agreement to be made between ECG and JL Enterprises Holdings Limited. As at December 31, 2023, ECG and JL Enterprises Holdings Limited mutually agreed that the shareholder's loan is not required to be repaid until 31 March 2025. There is no repayment on demand clause in the shareholder's loan agreement.

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

The weighted average interest rate of the shareholder's loan was 5% per annum (2022: 1% per annum).

**29 Borrowings**

	As at December 31, 2023 HK\$	As at December 31, 2022 HK\$
Current		
Bank borrowings	19,192,166	8,944,639
Other borrowings	59,681,540	-
	<u>78,873,706</u>	<u>8,944,639</u>

As at December 31, 2023, the Group's bank borrowings were interest bearing at the Hong Kong Best Lending Rate minus 2.25% per annum (2022: Hong Kong Best Lending Rate minus 2.25% per annum) and secured by personal guarantee given by the Executive Chairman of the Company. The bank borrowing was dominated in HK\$. The bank borrowings include a repayable on demand clause and therefore the balance is classified under current liabilities.

As at December 31, 2023, the Group's other borrowings of HK\$39,152,795 and HK\$20,528,745 were interest bearing at the 13% and 12% per annum (2022: Nil), respectively. The other borrowings were dominated in US\$.

The carrying amount of borrowings approximates to their fair value and is denominated in following currencies:

	2023 HK\$	2022 HK\$
HK\$	19,192,166	8,635,955
US\$	59,681,540	-
A\$	-	92,224
GBP	-	216,460
	<u>78,873,706</u>	<u>8,944,639</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****29 Borrowing (Continued)**

The weighted average interest rate of the bank and other borrowings were 10.4% per annum (2022: 2.8% per annum).

According to the repayment schedule of the bank and other borrowings, without considering the repayable demand clause, bank and other borrowings were repayable as follows:

	As at December 31, 2023 HK\$	As at December 31, 2022 HK\$
Within 1 year	72,219,313	1,669,886
Between 1 and 2 years	2,546,887	1,804,647
Between 2 and 5 years	1,933,500	3,534,433
Over 5 years	2,174,006	1,935,673
	<u>78,873,706</u>	<u>8,944,639</u>

The bank and other borrowings do not have any terms of financial covenant.

## **eCARGO HOLDINGS LIMITED**

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

#### **30 Related party transactions**

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

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

<b>Name of related party</b>	<b>Relationship with ECG</b>
Mr. John Lau	Executive Director/Executive Chairman
Mr. John Lines	Independent Non-executive Director
Mr. Von Lam	Independent Non-executive Director
Mr. Yuming Zou	Independent Non-executive Director
JL Enterprises Holdings Limited	Shareholder of the Company, controlled by Mr. John Lau
EC-GO eCommerce Limited	Shareholder of the Company, controlled by Mr. John Lau
Allport Cargo Services Limited	Controlled by Mr. John Lau
Cargo Services Far East Limited	Controlled by Mr. John Lau
Cargo Services (China) Limited	Controlled by Mr. John Lau
CN Logistics Limited (HK)	Controlled by Mr. John Lau
CS China Logistics Limited	Controlled by Mr. John Lau
深圳市一全通電子商務有限公司	Controlled by Mr. John Lau
深圳市看我商貿服務有限公司	Controlled by Mr. John Lau
Dreamtown International Ltd	Controlled by Mr. John Lau
CNShipforshop Limited	Controlled by Mr. John Lau
JJ Global Sourcing Limited	Controlled by Mr. John Lau
深圳嘉宏天成科技有限公司	Controlled by Mr. John Lau
思顏寶品供應鏈管理（上海）有限公司	Controlled by Mr. John Lau
Asean Business Group Pty Limited	Joint venture
PJF Wines Limited	Joint venture
Mellow Asia Limited	Joint venture

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Related party transactions (Continued)**

The following transactions were carried out with related parties:

	2023 HK\$	2022 HK\$
(a) Revenue – note (i)		
Sales of goods:		
- Asean Business Group Pty Limited	167,214	136,469
- Dreamtown International Ltd	76,370	3,919,693
- PJF Wines (HK) limited	2,582	61,849
- JJ Global Sourcing Limited	968	-
- Mellow Asia Limited	2,416	-
	<u>          </u>	<u>          </u>
Marketing services		
- CNShipforshop Limited	663,655	-
	<u>          </u>	<u>          </u>
Sales of software development services:		
- Cargo Services Far East Limited	2,400,000	2,400,000
	<u>          </u>	<u>          </u>
IT Consultancy revenue:		
- Cargo Services Far East Limited	2,191,385	2,087,828
	<u>          </u>	<u>          </u>
Service income:		
- Dreamtown International Ltd	158,295	1,641,207
	<u>          </u>	<u>          </u>
Management Income:		
- PJF Wines (HK) Limited	1,991,224	2,137,268
	<u>          </u>	<u>          </u>
(b) Expenses – note (i)		
Purchase of outsourced labour services:		
- Cargo Services Far East Limited	600,000	600,000
	<u>          </u>	<u>          </u>
Purchases of outsourced import, storage, and courier fulfillment services:		
- Cargo Service (China) Limited	713,936	1,577,215
- 思顏寶品供應鏈管理（上海）有限公司	309,296	-
	<u>          </u>	<u>          </u>
Lease payment/rental expense:		
- Cargo Services Far East Limited	153,151	147,485
	<u>          </u>	<u>          </u>

(c) Key Management compensation – note (ii)

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

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Related party transactions (Continued)**

(d) Balances with related parties

	2023 HK\$	2022 HK\$
Amounts due from related parties – note (iii)		
- Allport Cargo Services Limited	281,218	549,455
- PJF Wines (HK) Limited	920,137	1,770,504
- 深圳市看我商貿服務有限公司	3,977,580	2,659,427
- 深圳市一全通电子商务有限公司	115	1,727
- CN Logistics Limited (HK)	-	2,950,269
- Asean Business Group Pty Limited	1,699,741	77,632
- Mellow Asia Limited	491,536	199,894
- Cargo Services Far East Limited	3,042,523	-
- CNShipforshop Limited	81,664	-
- JJ Global Sourcing Limited	968	-
- 深圳嘉宏天成科技有限公司	35,676	-
	<u>10,531,158</u>	<u>8,208,908</u>
Amounts due to related parties (current) – note (iii)		
- Cargo Services Far East Limited	-	(8,189,986)
- Cargo Services (China) Limited	(12,250,325)	(9,180,847)
- CN Logistics Limited (HK)	(53,495)	-
- CS China Logistics Limited	(674,765)	(685,297)
- Dreamtown International Ltd	(443,675)	(2,539,708)
- 思顏寶品供應鏈管理（上海）有限公司	(236,742)	-
	<u>(13,659,002)</u>	<u>(20,595,838)</u>
Amounts due to related parties (non- current) – note (iv and v)		
- EC-GO eCommerce Limited	(4,551,315)	(4,413,207)
- Cargo Services (China) Limited	(12,163,605)	(13,905,743)
	<u>(16,714,920)</u>	<u>(18,318,950)</u>
	<u>(30,373,922)</u>	<u>(38,914,788)</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30 Related party transactions (Continued)**

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

(e) Shareholder's loan

	Total HK\$
At January 1, 2022	92,782,809
Interest charged	698,608
Repayment	(50,099,950)
	<hr/>
At December 31, 2022	43,381,467
	<hr/>
At January 1, 2023	43,381,467
Proceed from shareholder's	8,675,000
Interest charged	1,350,448
Interest paid	(993,419)
Repayment	(10,928,597)
	<hr/>
At December 31, 2023	41,484,899
	<hr/>

Notes:

- (i) These transactions are carried out on terms mutually agreed with the related parties.
- (ii) Key Management are deemed to be the directors who have responsibility for planning, directing, and controlling the activities of the Company.
- (iii) Balances with related parties arise mainly from sale and purchase transactions and are due one month after the date of sale or purchase. The receivable balances and payable balances bear no interest and are denominated in HK\$.
- (iv) The amount of HK\$4,551,315 due to EC-GO eCommerce Limited ("EC-GO") was classified as a non-current liability as at December 31, 2023 for which the Company and EC-GO mutually agreed that the amount is not required to be repaid in the next twenty-four months from the reporting date.
- (v) The amount of HK\$12,163,605 due to Cargo Services (China) Limited ("Cargo Services") was classified as a non-current liability as at December 31, 2023 for which the Company and Cargo Services mutually agreed that the amount is not required to be repaid in the next twenty-four months from the reporting date.

## **eCARGO HOLDINGS LIMITED**

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

#### **31 Put option liabilities**

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

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

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



**eCARGO HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

	Note	2023 HK\$	2022 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		30,357,562	30,357,562
		<u>30,357,562</u>	<u>30,357,562</u>
<b>Current assets</b>			
Amount due from related parties		1,498,830	29,437
Cash and cash equivalents		3,981	3,569
		<u>1,502,811</u>	<u>33,006</u>
<b>Total assets</b>		<u>31,860,373</u>	<u>30,390,568</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		427,820,968	427,820,968
Accumulated losses	a	(500,646,985)	(497,346,865)
<b>Total deficit</b>		<u>(72,826,017)</u>	<u>(69,525,897)</u>
<b>Liabilities</b>			
<b>Non-current liability</b>			
Shareholder's loan		41,484,899	43,381,467
<b>Current liabilities</b>			
Amounts due to subsidiaries		62,362,207	56,199,904
Amounts due to related parties		478,941	-
Other payables and accruals		360,343	335,094
		<u>63,201,491</u>	<u>56,534,998</u>
<b>Total liabilities</b>		<u>104,686,390</u>	<u>99,916,465</u>
<b>Total deficit and liabilities</b>		<u>31,860,373</u>	<u>30,390,568</u>

**eCARGO HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****32 Statement of financial position and reserve movement of the Company (Continued)**

Note:

(a) Reserve movement of the Company

	Accumulated losses HK\$
As at January 1, 2022	(495,278,796)
Loss for the year	(2,068,069)
	<hr/>
As at December 31, 2022 and January 1, 2023	(497,346,865)
Loss for the year	(3,300,120)
	<hr/>
As at December 31, 2023	(500,646,985)
	<hr/>

**33 Subsequent events**

On 19 January 2024, a share purchase agreement was entered by a subsidiary of the Company on transferring entire shares held on Asean Business Group Pty Limited to the joint venture partner. Other than abovesaid subsequent event, there are no other material subsequent events were undertaking or any of the subsidiaries now comprising the Group as at the date of this report.

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies**

##### **34.1 Subsidiaries**

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

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

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

##### **34.2 Joint arrangements**

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interest in joint ventures are accounted for using the equity method (Note 2.3.3), after initially being recognised at cost in the consolidated statement of financial position.

##### **34.3 Equity method**

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

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

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

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

## **eCARGO HOLDINGS LIMITED**

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

#### **2 Summary of other potentially material accounting policies (Continued)**

##### **34.4 Changes in ownership interests**

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

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

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

##### **34.5 Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by ECG
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. ECG recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

##### **34.5 Business combinations (Continued)**

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

##### **34.6 Separate financial statements**

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

##### **34.7 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, who are responsible for allocating resources and assessing performance of the operating segments has been identified as the executive director of ECG that make strategic decisions.

##### **34.8 Foreign currency translation**

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

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

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

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

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

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

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

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

###### **(c) Group companies**

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

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

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

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

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

##### **34.9 Impairment of non-financial assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

##### **34.10 Investment and other financial assets**

###### **(i) Classification**

ECG classifies its financial assets in the measurement category as those to be measured at amortised cost.

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

###### **(ii) Recognition and derecognition**

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

###### **(iii) Measurement**

At initial recognition, ECG measures a financial asset carried at amortised cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, financial assets at amortised cost that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

###### **(iv) Impairment**

ECG assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, ECG applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 21 for further details.

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

##### **34.11 Cash and cash equivalents**

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

##### **34.12 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.

##### **34.13 Trade and other payables**

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

##### **34.14 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless ECG has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### **34.15 Borrowing costs**

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

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

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



## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

##### **34.16 Current and deferred income tax**

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

(a) Current income tax

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

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

##### **34.17 Employee benefits**

(a) Short-term obligations

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

(b) Other long-term employee benefit obligation

The liabilities for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments at the reporting date are discounted using market yields on high-quality corporate bonds with terms to maturity that match as closely as possible, the estimated future cash outflows.

(c) Post-employment obligations

*Pension obligations*

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

The MPF Scheme is generally funded by the payments from employees and by ECG. Contributions to the scheme by ECG and employees are calculated as a percentage of employees' basic salaries. ECG has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

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

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

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

##### **34.18 Employee benefits (Continued)**

###### **(d) 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.

##### **34.19 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.

##### **34.20 Interest income**

Interest income on financial assets at amortised cost is calculated by using the effective interest method and is recognised in the consolidated statement of comprehensive income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purpose. Any other interest income is included in other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

##### **34.21 Earnings/loss per share**

###### **(i) Basic earnings/loss per share**

Basic earnings/loss per share is calculated by dividing:

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

###### **(ii) Diluted earnings/loss per share**

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

##### **34.22 Leases**

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

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

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

## **eCARGO HOLDINGS LIMITED**

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

#### **34 Summary of other potentially material accounting policies (Continued)**

##### **34.22 Leases (Continued)**

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

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

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

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

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

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

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

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

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

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

##### **34.23 Government grants**

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

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