



your O2O Partner

Helping Brands Sell More

ANNUAL
REPORT
2020

“About ECG,,

eCargo Holdings Limited (ASX: ECG) ECG specialises in helping brands maximise their sales in Asia, and most notably China. The Company’s core segments are “online”, where eCargo focuses on optimising brands’ eCommerce presence and strategy to increase sales for clients, and “offline”, where eCargo uses its extensive network across China to distribute products into stores. By providing a broad set of capabilities, eCargo provides a compelling one-stop solution for customers aiming to grow sales both online and in physical stores.

eCargo consists of specialist operating companies in China and Australia trading under eCargo, Metcash Asia, Jessica’s Suitcase and Amblique, providing on-demand digital commerce strategy, China trading strategy and technology development. eCargo provides related execution services for retails and brands, including shipping, customs processing, trademark administration, storage and distribution.

eCargo acts as a “one-stop” sales enabling partner for designer fashion, branded apparel and retail companies seeking to sell their products online in China by providing integrated online and offline technology and supply chain solutions.

Metcash wholesales and distributes to large supermarkets and retail groups in China and operates cross border eCommerce stores through platforms such as Alibaba’s Tmall Global and JD Worldwide.

Jessica’s Suitcase, headquartered in Sydney, operates an online store on Alibaba’s Tmall Global, offering quality Australian and New Zealand food products to Chinese consumers through the cross border online channel.

Amblique is a leading digital commerce consultancy, providing brands with retail strategy consultation, eCommerce platform implementation and sales optimisation services in Australia and New Zealand.



“ECG is well-positioned as an enterprise with diversified business in FMCG and non-FMCG.”

*Mr. John Lau,
Executive Chairman*

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Selected financial data translated into Australian dollars

The financial statements for eCargo Holdings Limited (the "Company") presented in this document are expressed in Hong Kong dollars ("HK\$"). Selected financial data has been translated from HK\$ into Australian dollars ("A\$") to enable Share/CHESS Depository Interest ("CDI") holders to interpret the financial performance of the Company. Such foreign currency translations are unaudited and have been provided to Share/CDI holders for easier reference purposes only and may not present the Company's financial position or performance in a fair manner.



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Highlights 2020

- Revenue up 23% to HK\$218.5 million
- Adjusted EBITDA* profit improved 214% to HK\$7.6 million
- Statutory net loss down 47% to HK\$39.5 million
- Record year on EBITDA for eCommerce-enabling and Amblique
- Strong growth in FMCG category, with both Online and Offline revenue up 103.5% and 31.0%, respectively.
- Cross border distribution network grew to 20+ partners and 1,000+ C stores



EBITDA
improvement
214%



Statutory net loss down
47%

Revenue
**HK \$218.5
Million**



* Adjusted EBITDA is defined as earnings before non-cash items such as finance income, finance expense, tax, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, impact of foreign exchange, ECG's share of results from a joint venture, gain or loss on fair value of financial derivatives and provision for impairment of goodwill.

Well-positioned as an enterprise with diversified business

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the Annual Report of eCargo Holdings Limited for the year ended December 31, 2020.

Over the course of 2020, we transformed the structure and performance of the Company, delivering a strong overall financial performance with significant outperformance in the second half of the year, despite a tougher operating environment due to COVID-19. This was the first year to include the full year impact from the acquisitions of Metcash Export Services Pty Ltd and Jessica's Suitcase Pty Ltd, underpinning our fast-moving consumer goods ('FMCG') business unit.

Having transformed our Company via the integration of these businesses, we are well-positioned as a Company with comprehensive Online-to-Offline ('O2O') distribution capabilities in FMCG in China. I am also pleased to report that our eCommerce-enabling business continued its strong momentum from the previous year, as a result recording the highest EBTIDA margin since inception of our business.

In September, we welcomed on board Lawrence Lun as the Group's Chief Executive Officer. Lawrence was instrumental in initiating a recent restructure in the last quarter of 2020, wherein we enacted strategic changes to establish eCargo as a leader in end-to-end distribution and trading services, specialising in cross-border product sales into mainland China.

During FY20 we delivered record revenue of HK\$218.5 million (2019: HK\$177.4 million), leading to a maiden EBITDA profit of HK\$7.6 million (2019: loss of HK\$6.7 million). Our strong results were underpinned by the implementation of operational efficiencies and a focus on selected product categories to further leverage the growing consumer demand for online retail in China. We look forward to delivering continued financial success in 2021 as we build on the positive momentum and see the full year impact of the operational efficiencies implemented in the fourth quarter of 2020.

Strategic Growth Initiatives

We believe proprietary technology will underpin our next stage of growth. eCargo has been developing our proprietary platform eCoreOS® since 2014 and we will now further commercialise this product. Part of the strategy is launching our new online B2B platform, JuJiaXuan (JJX), aiming to help accelerate the penetration of products from international brands and retailers into China by making it easier for them to access our online and offline distribution network. JJX is China's first online B2B Distribution Platform aimed at connecting overseas brands with local retailers and distributors, providing immediate access to over 2,000 point-of-sale locations, as well as all major online marketplaces across our partner network, both domestic and cross-border. We see substantial opportunities to leverage our JJX platform to accelerate growth, following its release during the first half of 2021.

We are pleased that ECG has transformed itself into a business with end-to-end capabilities on both B2B wholesale and distribution and B2C services to end customers



Over the course of the last financial year, Chinese consumer demand for international products continued to grow, with a notable increase of sales in health, beauty and personal care product categories. We have a strategic focus on enabling selected brands in these categories with the best potential to scale sales and are well positioned to continue to grow in 2021, as we broaden our portfolio of exclusive products and brands.

We now have the right structure, strategy, plans and team in place and are well positioned to grow in 2021 and beyond.

On behalf of ECG, I would like to thank the Board of Directors, the management and every member of our committed staff for their dedication and hard work over the past year. I would also like to thank our Shareholders and Stakeholders for their continued confidence and support over the year and I look forward to seeing you at our upcoming Annual General Meeting.

Mr. John Lau
Executive Chairman

Successful expansion into East Asian countries through the establishment of joint venture, ABG Group



Board of Directors and Executive Team



The Board of Directors (the “Board”) currently consists of five Directors, comprising one Executive Director, one Non-Executive Director and three Independent Non-Executive Directors.

The Board has broad experience in the retail supply chain, eCommerce, logistics, finance and retail management. The Board is well-positioned to develop and implement ECG’s strategic objectives.

In accordance with ASX Listing Rules 14.4, a Director of an entity must not hold office (without re-election) past the third Annual General Meeting following the Director’s appointment or 3 years, whichever is longer and a Director of an entity is appointed to fill a casual vacancy or as an addition to the Board, must not hold office (without re-election) past the next Annual General Meeting.

Mr. John Lau and Mr. Heath Zarin shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Name	Position	Independence	Re-appointment date
Mr. John Lau	Executive Chairman, Executive Director	Non-independent	May 14, 2019
Mr. Christopher Lau	Non-Executive Director	Non-independent	May 18, 2020
Mr. Rupert Myer AO	Non-Executive Director	Independent	May 18, 2020
Mr. Heath Zarin	Non-Executive Director	Independent	May 14, 2019
Mr. Yuming Zou	Non-Executive Director	Independent	May 18, 2020

Board of Directors



Mr. John Lau

Executive Chairman and Executive Director

Mr. John Lau is the Executive Chairman and founder and was appointed Executive Director of ECG on 28 May 2014. He is Chairman and founder of ECG's largest shareholder, JL Enterprises Holdings Limited ("JL Enterprises"). He is Group Managing Director and founder of ECG's strategic investor, CS Logistics Holdings Limited ("CS Logistic"). He is the Managing Director and founder of Cargo Services Far East Limited ("Cargo Services"), a principal operating subsidiary of the CS Logistics group of companies and Managing Director and founder of Xin Hai Hua Enterprises.

John brings more than 40 years of experience in trading, shipping and logistics in China. His pursuit for excellence in providing professional services is well known and acknowledged by many major retailers and brands worldwide.

John founded Cargo Services in 1990 as an ocean freight non-vessel operating cargo carrier. He has led the growth of Cargo Services in

becoming a leader in international logistics. Today, Cargo Services is the largest privately owned integrated logistics service provider and freight forwarder in China and Hong Kong.

John founded Midstream Holdings Limited ("MHL") in 1995. He was Managing Director of MHL from 1995 to 1997. MHL was acquired by Hutchison Port Holdings in 1997.

John founded Wide Shine Terminals Limited ("WST") in 1990. He was Managing Director and founder of WST from 1990 to 1995. WST was subsequently acquired by MHL in 1995.

John founded Hoi Kong Terminals Limited ("Hoi Kong") in 1986. He was the Managing Director from 1986 to 1990. Hoi Kong was acquired by Jardines Shipping Services Limited in 1990.

John holds Bachelor of Social Sciences from the University of Hong Kong, and joined Dodwell & Co. in their Hong Kong buying office working with many international retailers and trading companies sourcing from China. He quickly rose to become a director at Dodwell & Co. He left Dodwell & Co. in 1983 to start his own businesses in shipping and international logistics.

John was appointed as a committee member of the Chinese People's Political Consultative Conference Nanjing Committees in the tenth and eleventh elections.

John served as Independent Non-executive Director of Golden Eagle Retail Group Limited (SEHK: 3308) from 1999 to 2011 and Nanjing Sample Technology Company Limited (SEHK: 1708) from 2003 to 2011.



Mr. Christopher Lau

Non-Executive Director

Mr. Christopher Lau is a co-founder of ECG and was CEO and Executive Director of ECG from 22 April 2014 until March 14, 2018 when he was re-designated to Non-Executive Director.

In April 2018, Christopher rejoined Cargo Services Group as Group Assistant Managing Director and was Head of Greater China for the Group until March 2021. He possesses more than 7 years of experience in international retail supply chain and logistics management having worked closely with many major retailers in Australia and the United Kingdom in the development of their global supply chains including the setup of eCommerce operations in China, sourcing offices and QC facilities.

Christopher was Group Assistant Managing Director and Executive Director at Cargo Services from 2006 to 2012. At Cargo Services, he founded the GAM business division in 2007 and was Head of GAM until 2012. He was instrumental in the transformation of Cargo Services to become the leading integrated retail supply chain solutions service provider in Hong Kong, contributed significantly in the development and implementation of the LIMA® platforms for many retail brands and supported in the acquisition of Allport Limited together with HSBC's strategic investment in CS Logistics in 2010. He was an Executive Director of CS Logistics from 2010 to 2012.

Christopher holds a Bachelor of Science in Accounting and Finance from the Leonard Stern School of Business at New York University. He spent several years with Ernst and Young LLP and Deutsche Bank in New York working in audit, structured products and fixed income. He was appointed as a member of the 14th Nanjing Political Consultative Conference in 2018, an Honorary Member of the Court at the Hong Kong Baptist University since 2012 and is a Vice-Chairman of the Fundraising Committee of the Dragon Foundation, a non-profit organisation in Hong Kong.



Mr. Rupert Myer AO

Independent Non-Executive Director

Mr. Rupert Myer AO was appointed a Non-Executive Director of the Company on 7 August 2014. Rupert is a senior advisor of EmergeVest and Director of EV cargo and Amcil Limited. He serves as Chairman of Nuco Pty Ltd and as a director of The Myer Family Investments Pty Ltd and Mutual Trust Pty Ltd.

Since 1986, Rupert has served as a Non-Executive Board member on a diverse range of organizations including listed and unlisted public companies, private companies, community sector organisations, State and Commonwealth Government Boards and philanthropic foundations. Industries and sectors have included retailing, funds management, financial services, visual and performing arts, indigenous affairs, philanthropy and youth employment.

Rupert's experience as a Director has included IPO listings, rights issues, special purchase plans, dividend re-investment plans and major re-financings. He has served both as Chair and as a member of Audit and Finance Committees, Remuneration and Nominations Committees and Strategy Committees.

Rupert holds a Master of Arts from Cambridge University and a Bachelor of Commerce with Honours from the Melbourne University. He is a fellow of the Australian Institute of Company Directors.



Mr. Heath Zarin

Independent Non-Executive Director

Mr. Heath Zarin was appointed a Non-Executive Director of the Company on 9 June 2014. He is CEO and Managing Director of EmergeVest, a Hong Kong based private equity firm with more than USD500 million of assets under management, and also Chairman and CEO of EV Cargo, a leading logistics and technology business.

Heath was previously Managing Director and Head of Principal Investments, Asia-Pacific, for HSBC, with responsibility for Asian proprietary private investment activities. Previously, he founded and ran Emergent Investment Group ("EIG"), a Hong Kong-based private investment firm. Prior to founding EIG, he held a series of senior executive roles at Credit Suisse, including forming and managing its Asian private equity business.

Heath practiced corporate law with Schulte Roth & Zabel LLP in New York, where he formed and advised hedge funds and private equity funds. His current and previous board service includes companies across Asia, Europe and North America, in diverse manufacturing and service industries.

Heath holds a Juris Doctor from the Fordham University School of Law and graduated from the State University of New York at Binghamton. He is CFA, CMT and CAIA charterholder and has completed Certificate programs at Harvard Business School.



Mr. Yuming Zou

Independent Non-Executive Director

Mr. Yuming Zou was appointed a Non-Executive Director of the Company on 22 January 2020. He serves as Senior Vice-President of Corporate Development at Jianke. In this role, he manages Jianke's finance team, with responsibility for accounting & controls, financial planning & analysis, liquidity management, corporate finance, and evaluation/due diligence of M&A targets. He also partners with various business units across the company, with a focus on market development opportunities and strategic partnerships.

Prior to joining Jianke, Yuming spent 15 years in J.P. Morgan's Investment Banking Division, most recently as Executive Director in JPMorgan's Hong Kong Corporate Derivatives Trading team, where he focused on origination, execution, and risk management for listed equity margin loans/collars, and structured equity financing transactions. During his time at JPMorgan, he served in a number of key roles across Corporate Finance Advisory, and Sales and Trading, while being stationed in New York, Beijing, Shanghai, and Hong Kong.

Yuming holds a Bachelor of Arts degree in Economics magna cum laude and a Master of Arts degree in Statistics from Harvard University, and is also a CFA charterholder.

Executive Team



Mr. Lawrence Lun

Chief Executive Officer

Lawrence has spent over the last 10 years bringing international brands into Asia, specifically Greater China, through eCommerce and digital activation. His experience spans across business strategy, finance, brand marketing, eCommerce, IT development, cross-border logistics and content creation.

Lawrence was part of the founding team at eCargo having joined in 2014 as Business Development Director. He helped set up the store operations, marketing and IT functions within the group, and since supported over 35+ international brands with their entry into China via online platforms. Prior to taking up the role to lead eCargo, he spent a few years in Investment Banking,

Digital Banking and Asset Management in Hong Kong and China. He also has an entrepreneurial spirit having started multiple ventures including his last one called Zingly, a SaaS platform focused on helping brands capture and utilise user generated contents. He strongly believes in driving a customer-centric business that ensures the company's principals are capturing all opportunities available to generate value.

Lawrence graduated with Honours with dual specialisations in Finance and Strategic Management from the Schulich School of Business at York University.



Mr. Oscar Tsang

Financial Controller

Oscar is responsible for the Group's finance and accounting, corporate finance, treasury, administration, talent management, legal and compliance and investor engagement functions.

Prior to joining ECG, Oscar was the Financial Controller of VTeam Financial Service Group and China Financial Services Holdings Limited, a company listed on the Stock Exchange of Hong Kong. In his early career, Oscar also had professional experience in auditing at Ernst and Young and PriceWaterhouseCoopers in Hong Kong. He has extensive experience in financial management, corporate finance and global investor relations, across

industry sectors in financial technology, real estate, property development, infrastructure, FMCG (fast-moving consumer goods), telecommunications and eCommerce.

Oscar holds a Bachelor of Business Administration from The Hong Kong Polytechnic University. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Hong Kong Institute of Certified Public Accountants (HKICPA).



Ms. Hai Yun Chen

Chief Product Officer

Ms. Hai Yun Chen is the Chief Product Officer of ECG based in Sydney. She oversees brands, products and supply chain strategies from Australia, New Zealand and other leading export countries, and develops new direct export sales channels for ECG's business in China and South East Asia.

Prior to joining ECG, Hai Yun spent 3 years with Metcash Asia based in the Metcash head office in Sydney. During this time, she was instrumental to the overall success of Metcash Asia in China, by partnering with brands, securing supply chain, developing and managing various export channels from Australia to China. Prior to joining Metcash, she has spent 8 years in establishing and running private label food sourcing for Woolworths based out of Woolworths' Global Sourcing office in Shanghai. She also has buying experiences previously with Australian retailers BigW and ADRT.

Hai Yun holds a Master of Finance degree and Bachelor of Commerce degree major in International Business and Marketing from University of New South Wales



Corporate Governance Report

The Board is pleased to present this corporate governance report for the year ended December 31, 2020.

Corporate Governance Practices

The Company is committed to conduct its business consistent with the highest standards of corporate governance practices and procedure. The Company recognises that sound corporate governance practices are fundamental to the effective and transparent operation of the Company and it is vital to its ability to protect the rights of its Shareholders and enhance Shareholders' value.

The Company adopted the following policies and charters. Each of these policies and charters are set out in the Corporate Governance Plan adopted by the Board on September 18, 2014. The Corporate Governance Plan is incorporated by reference into this annual report and is prepared to fully address the principles and provision set out in the ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, 4th Edition ("ASX Corporate Governance Principles and Recommendations"). The 2020 corporate governance report was approved by the Board on March 26, 2021.

A copy of each of the below policies and charters are available on the Company's website at www.eCargo.com.

The Board Charter

This charter sets out the principles for the operation of the Board and the functions and responsibilities of the Board and management of the Company. The Board Charter contains the Board skills matrix.

Code of Conduct

This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.

Securities Trading Policy

This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws in Australia.

Audit and Risk Management Committee Charter

This charter sets out the principles for the operation of the Audit and Risk Management Committee.

Nomination and Remuneration Committee Charter

This charter sets out the principles for the operation of the Nomination and Remuneration Committee.

Continuous Disclosure Policy and Communications Strategy

The Company strictly complies with the continuous disclosure requirements of the Listing Rules and the Companies Ordinance to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the CDIs. This policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations. This policy also sets out practices which the Company will implement to ensure effective communication with its Shareholders.

Diversity Policy

This policy sets out practices which the Company is committed to workplace diversity. Due to the relative small size of the Company, the Board had not set any objectives on gender diversity during the year ended December 31, 2020. The Board recognized the benefit arise from achieving various forms of diversity and will continues to evaluate the setting of objectives on workplace diversity.

The table below shows the proportion of male and female representation across ECG, the senior management and at the Board level during the year ended December 31, 2020.

Job level	Male	Female
Board of Directors	100%	0%
Management	67%	33%
All employees	30%	70%

* Management represent General Manager grade or above

Board of Directors

The Board is responsible for the overall corporate governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisors as required.

The Board's role in risk oversight includes reviewing reports from management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities.

The reports detail the effectiveness of the risk management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal/regulatory risks.

The Board and its committees consider these reports, discuss matters with the management and identify and evaluate any potential strategic or operational risks, and appropriate activity to address those risks. The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to ASX Corporate Governance Principles and Recommendations.

Composition of the Board, number of the Board meetings and Directors Attendance

The Company's Memorandum and Articles of Association and the Hong Kong Companies Ordinance provides that the minimum number of Directors is two and that this minimum may only be changed by a majority vote of the Shareholders. The Company currently has five Directors serving on the Board, including one Executive Director ("ED"), one Non-Executive Director ("NED") and three Independent Non-Executive Directors ("INED"). The biographies details of each Director are included in the "Board of Directors and Executive Team" section of this Annual Report.

The following is the attendance record of the Directors at the Board and Committee meetings, and at the Shareholder meeting held during the year.

Name	Position	Board of Directors	Audit and Risk Management Committee	Nomination and Remuneration Committee	Annual General Meeting
Mr. John Lau	ED	4/4	N/A	N/A	1/1
Mr. Christopher Lau	NED	4/4	N/A	N/A	1/1
Ms. Jessica Rudd	NED ¹	0/4	N/A	N/A	0/1
Mr. Rupert Myer AO	INED	4/4	3/3	1/1	1/1
Mr. Heath Zarin	INED	3/4	3/3	1/1	0/1
Mr. Yuming Zou	INED ²	4/4	3/3	1/1	1/1

1 Resigned on January 22, 2020

2 Appointed on January 22, 2020

Practices and Conduct of Meetings

Notice of the Board and Committee meetings is normally given to all the Directors 7 days in advance. Annual meeting schedules and the draft agenda of each meeting are normally made available to the Directors in advance. Arrangements are in place to allow the Directors to include items in the agenda, and final agenda together with the Board papers are sent to the Directors within reasonable time. Each Director also has separate and independent access to the senior management where necessary.

Minutes of the Board meetings are kept by the Company Secretary. Draft minutes are circulated to the Directors for comment within a reasonable time after each meeting.

Each Director must bring an independent view and judgment to the Board and must declare all conflicts of interest including confirmation of Director's interests in securities and declaration of any trading activities. Any issue concerning a Director must be brought to the attention of the Board as soon as practicable, and unless a resolution has been passed by the non-interested Directors allowing the interested Director to remain in the meeting and participate in discussions, Directors may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

Appointment and Re-election of Directors

The Company uses a formal and transparent procedure for the appointment, election and removal of Directors, which is set out in the Company's Articles of Associations and is conducted by the Nomination and Remuneration Committee, which will make recommendations on new Director appointment to the Board for approval.

Each of the Director is engaged on services contract and subject to re-election. Further details of the appointment, election and removal of Director are set out in the "Board of Directors and Executive Team" section of this Annual Report.

Induction and Ongoing Development

Each of the newly appointed Director receives a formal, comprehensive and tailored induction to ensure his or her understanding of the business and operations of the Company and awareness of the Director's responsibilities and obligations.

The Company encourages all Directors participate in continuous professional development in order to develop and refresh their knowledge and skills. During the year, the Directors had updated on the development of statutory and regulatory regime and the business environment provided by the Company and external parties.

Board Committees

The Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities as set out below. The Board may also establish other committees from time to time.

Each of these committees has the responsibilities described in the committee charters (which have been prepared having regard to the ASX Corporate Governance Principles and Recommendations) adopted by the Company.

Committee	Overview	Member
Audit and Risk Management Committee	Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements, reviewing the performance of the Company's internal audit function and the qualifications, independence, performance and terms of engagement of the Company's external auditor. Manages the process of identification and management of risk.	Mr. Rupert Myer AO (Chairman) Mr. Heath Zarin Mr. Yuming Zou
Nomination and Remuneration Committee	<p>Remuneration:</p> <p>Establishes, amends, reviews and approves the compensation and benefit plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management.</p> <p>The Nomination and Remuneration Committee is responsible for forming a view and making a recommendation to the Board on the most appropriate compensation for key employees. For instance, the Nomination and Remuneration Committee may determine that non-monetary compensation, such as employee options or employee shares, is an appropriate compensation as a way of:</p> <ul style="list-style-type: none"> recognising ongoing contributions by key employees to the achievement by the Company of long term strategic goals; aligning the interests of participants with other holders of shares in the Company through the sharing of a personal interest in the future growth and development of the Company; and providing a means of attracting and retaining skilled and experienced employees. <p>The Nomination and Remuneration Committee is also responsible for reviewing the performance of the Company's executive officers with respect to these elements of compensation.</p> <p>Nomination:</p> <p>The Nomination and Remuneration and Committee recommends the candidates nominated as a Director at each Annual General Meeting and ensures that the Audit and Risk Management, and Nomination and Remuneration Committees of the Board have the benefit of qualified and experienced independent Directors.</p>	Mr. Heath Zarin (Chairman) Mr. Rupert Myer AO Mr. Yuming Zou

ASX Corporate Governance Principles and Recommendations

The Board has evaluated the current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations.

The Board considers that the Company generally complies with the ASX Corporate Governance Principles and Recommendations and, where the Company does not comply, this is primarily due to the current relative size of the Company and scale of its current operations. Comments on compliance and departures are set out below.

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Principle 1 — Lay solid foundations for management and oversight		
Recommendation 1.1: A listed entity should have and disclose a board charter setting out <ul style="list-style-type: none"> the respective roles and responsibilities of its Board and management; and those matters expressly reserved to the Board and those delegated to management. 	Complied	The Board's responsibilities are contained in the Company's Board Charter. eCargo's Board Charter is contained in the Corporate Governance Plan. The functions of the Board and Chairman are specifically set out in the Board Charter. The functions delegated to senior executives are contained in the Delegation of Authority Agreement, contained in the Corporate Governance Plan.
Recommendation 1.2: A listed entity should: <ul style="list-style-type: none"> undertake appropriate checks before appointing a director or senior executive or putting someone forward for election, as a director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	Complied	The Board's responsibilities in relation to director appointments are contained in the Company's Board Charter. eCargo's Board Charter is contained in the Corporate Governance Plan. Appropriate checks, including bankruptcy checks and police checks are part of the listing process. The requirement for the appropriate checks prior to appointment a director or putting forward a candidate for election as a director as well as the provision of all material information in the Board's possession to shareholders relevant to a decision on whether or not to elect or re-elect a director is clearly mentioned in the Board Charter. All material information in relation whether to elect or re-elect a director is contained in the Company's notice of meeting and explanatory statement.
Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complied	eCargo has entered into such agreements with each Director and senior executive.

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not												
Recommendation 1.4: The Company Secretary of a listed entity should be accountable directly to the Board, through the chair on all matters to do with the proper functioning of the Board.	Complied.	The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board. The accountability and details of the role of the Company Secretary are contained in the Company's Board Charter.												
Recommendation 1.5: A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: <ul style="list-style-type: none"> (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: <ul style="list-style-type: none"> (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.	Partially Complied	<p>The Board has established a Diversity Policy. The Diversity Policy is contained in the Corporate Governance Plan.</p> <p>The Board considered the importance of talent and concluded when recruiting workforce, everyone should be provided with equal opportunity; and there should be no difference in gender, age, ethnicity, race, disability and cultural background. With the Company's scale of operation is small, the Board had not set any objectives of gender diversity during the year ended December 31, 2020. However, the Board recognized the benefit arise from achieving various forms of diversity and will continue to evaluate the setting of objectives on workplace diversity.</p> <p>As at 31 December 2020, the table below shows the proportion of male and female representation across ECG:</p> <table border="1"> <thead> <tr> <th></th><th>Woman (%)</th><th>Men (%)</th></tr> </thead> <tbody> <tr> <td>Board</td><td>0%</td><td>100%</td></tr> <tr> <td>Senior Management</td><td>33%</td><td>67%</td></tr> <tr> <td>All employees</td><td>70%</td><td>30%</td></tr> </tbody> </table> <p>* Senior management represent General Manager grade or above</p>		Woman (%)	Men (%)	Board	0%	100%	Senior Management	33%	67%	All employees	70%	30%
	Woman (%)	Men (%)												
Board	0%	100%												
Senior Management	33%	67%												
All employees	70%	30%												

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
<p>Recommendation 1.6:</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. 	Complied	<p>The Board has established these processes. A summary of the processes are set out below.</p> <p>The Board and each Board Committee is responsible for the evaluating the performance of the Board and Board Committee on an annual basis by referring to the requirements of the Board Charter.</p> <p>The Chairman is responsible for the review of individual directors. Each director is met privately with the Chairman to discuss the assessment. In addition to the annual review, the Chairman regularly provides informal feedback to individual directors.</p>
<p>Recommendation 1.7:</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period 	Complied	<p>The Board has established these processes. A summary of the processes are set out below.</p> <p>The Chairman is responsible for the review of the senior management assessment processes from time to time to ensure that they remain consistent with the Company's overall objectives for the business.</p> <p>All senior executives undergo a performance and development review on an annual basis, each senior executive are met privately with the Chairman to discuss the assessment and provided with feedback on their performance, when appropriate, a development plan also agreed to support the ongoing contribution of the executive to the needs of business.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Principle 2 — Structure the Board to be effective and add value		
Recommendation 2.1: The board of a listed entity should: <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	Complied	<p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter. eCargo's Nomination and Remuneration Committee Charter is contained in the Corporate Governance Plan.</p> <p>The Nomination and Remuneration Committee is chaired by Heath Zarin, an independent director.</p> <p>The Nomination and Remuneration Committee consists of three non-executive directors. Of these members, all are independent Non-Executive Directors, namely, Heath Zarin, Rupert Myer and Yuming Zou.</p> <p>Details of the relevant qualifications and experience of the members of the committee and the number of times the committee has met during the reporting period and the individual attendances of the members at those meetings, are disclosed in the "Composition of the Board, number of the Board meetings and Directors Attendance" section of Corporate Governance Report and "Board of Directors and Executive Team" section of Annual report.</p>
Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Complied	<p>The Board maintains a Board Skills Matrix of the current directors of the Board, eCargo's Board Skills Matrix is contained in the Board Charter which is contained in the Corporate Governance Plan.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
<p>Recommendation 2.3:</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> the names of the directors considered by the Board to be independent directors; if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, or relationship in question and an explanation of why the Board is of that opinion; and the length of service of each director. 	Complied	<p>Currently the Board consists of five members, of which three are independent Non-Executive Directors, namely, Rupert Myer AO, Heath Zarin and Mr Yuming Zou.</p> <p>The Board has assessed, using the criteria set out in the ASX Corporate Governance Principles and Recommendations, the independence of Non-Executive Directors in light of their interests and relationships and considers them all to be independent.</p> <p>The Annual Report discloses the length of service of each director.</p>
<p>Recommendation 2.4:</p> <p>A majority of the Board of a listed entity should be independent directors.</p>	Complied	<p>The Board determines the size and composition of the Board, subject to limits imposed by the Company's Constitution.</p> <p>Of the five directors, only three Non-Executive Directors namely, Rupert Myer AO, Mr Heath Zarin and Mr Yuming Zou are considered by the Board to be independent. As such more than half of the Board is independent directors</p> <p>This Board structure will continue to be reviewed at the appropriate stages of Company's development.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
<p>Recommendation 2.5:</p> <p>The chair of the Board of a listed entity should be an independent director and in particular, should not be the same person as the CEO of the entity</p>	Partially complied	<p>The current Chairman, Mr John Lau, is an Executive Director and is not considered independent under the ASX Corporate Governance Principles.</p> <p>The Board considers that the Chairman, as a founder, is key for the business development and decision making in Hong Kong and the Company has adequate procedures to ensure the independence of the Chairman's decisions. For example, the Chairman will deal with any conflicts that arise, address differences of opinion and ensure contrary votes are recorded at Board meetings and ensure Directors or the Chairman himself with material personal interests in a matter leave the meeting while the matter is discussed, unless a resolution has been passed by the non-interested directors allowing the interested director to remain in the meeting and participate in discussions.</p> <p>Lawrence Lun is appointed as Chief Executive Officer of the Company on 28 September 2020, and the chairman is not the Chief Executive Officer of the Company.</p>
<p>Recommendation 2.6:</p> <p>A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.</p>	Complied	<p>The Directors are expected to undertake an appropriate continuing professional development programme or education for the purpose of developing and maintaining the skills and knowledge for normal discharge of their formal Director duties effectively.</p> <p>During the year, the Directors are continually updated on the development of statutory and regulatory regime and the business environment which provided by the Company and external parties.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Principle 3 — INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY		
Recommendation 3.1: A listed entity should articulate and disclose its values.	Complied	The Company's values have been adopted into the Statement of Values and Code of Conduct in the Corporate Governance Plan which is available on the Company's website.
Recommendation 3.2: A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code. 	Complied	<p>The Board has established a Code of Conduct, which is contained in the Corporate Governance Plan and available on the Company's website. Any material breaches of the Code of Conduct are reported to the Board or a committee of the Board.</p> <p>The Code of Conduct applies to all directors as well as all officers, employees, contractors, consultants and other persons that act on behalf of the Company.</p> <p>The Code of Conduct provides that the Directors will act with honesty and integrity, will avoid conflicts of interest, protect confidential and proprietary information and treat others equitably and with professionalism courtesy and respect.</p>
Recommendation 3.3: A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	Complied	The Company's Whistleblower Protection Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Whistleblower Protection Policy are to be reported to the Board or a committee of the Board.
Recommendation 3.4: A listed entity should: <ul style="list-style-type: none"> (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy. 	Complied	The Company's Anti-Bribery and Anti-Corruption Policy (which forms part of the Corporate Governance Plan) is available on the Company's website. Any material breaches of the Anti-Bribery and Anti-Corruption Policy are to be reported to the Board or a committee of the Board.

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Principle 4 — Safeguard the integrity of corporate report		
Recommendation 4.1: The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	Complied	<p>The Board has established an Audit and Risk Management Committee.</p> <p>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter. The Company's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan.</p> <p>The Audit and Risk Management Committee is chaired by Rupert Myer AO, an independent director who is not Chairman of the Board.</p> <p>The Audit and Risk Management Committee consists of three members, Rupert Myer AO, Mr Heath Zarin and Mr Yuming Zou, Of these members, all are independent Non-Executive Directors.</p> <p>Details of the relevant qualifications and experience of the members of the committee and the number of times the committee has met during the reporting period and the individual attendances of the members at those meetings, are disclosed in the "Composition of the Board, number of the Board meetings and Directors Attendance" section of Corporate Governance Report and "Board of Directors and Executive Team" section of Annual report.</p>
Recommendation 4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively	Complied	<p>The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms.</p> <p>The Company has obtained a sign off on these terms for each of its financial statements in the past financial year.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Recommendation 4.3: A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Complied	Any periodic report which is released to the market and has not been subject to an audit or review by an external auditor, is subject to a comprehensive verification review process undertaken by the Audit and Risk Management Committee, who is independent of the preparation of such reports. This review is undertaken to ensure any statements can be supported by suitable evidence. The external auditor will attend the Company AGM and will be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.
Principle 5 — Make timely and balanced disclosure		
Recommendation 5.1: A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	Complied	The Board has adopted a Continuous Disclosure Policy and Communications Strategy which is set out in the Corporate Governance Plan. The Company respects the rights of its shareholders and facilitates the exercise of those rights, the Company is committed to communicating effectively with shareholders, providing shareholders with ready access to balanced and understandable information about the Company and corporate proposals and making it easier for shareholders to participate in general meetings of the Company.
Recommendation 5.2: A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Complied	Under the Continuous Disclosure Policy, the Board will receive copies of material announcements promptly after they have been made and properly approved.
Recommendation 5.3: A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	Complied	Under the Continuous Disclosure Policy and Communications Strategy, the Company will release to ASX and post on the Company's website before a new or substantive presentation to investor or analyst.

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Principle 6 — Respect the rights of security holders		
Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.	Complied	<p>The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.</p> <p>The Company has established on its website, eCargo.com where shareholders can find information such as financial statements and major development of the Company as well as all relevant corporate governance material under the Media and News and corporate governance landing pages.</p>
Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Complied	<p>Shareholders are encouraged to fully participate at the Annual General Meeting or other General Meeting of the shareholder to ensure effective two way communication.</p> <p>Shareholders are also able to direct any questions relating to the Company's securities to the share registry, Link Market Services Limited.</p>
Recommendation 6.3: A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	Complied	<p>The communication strategy is contained in the Continuous Disclosure Policy and Communications Strategy and is designed to ensure that shareholders are informed of all relevant developments. Details of the information can be found on the Company's website eCargo.com under the corporate governance landing page of the Investor Information section.</p> <p>The Company encourages full participation of shareholders at any General Meeting or the Annual General Meeting. The notice of such meetings will be given in accordance with the Company's Constitution, the HK Companies Ordinances and the ASX Listing Rules.</p> <p>The security holders can attend the meetings in person, appoint a proxy or representative to vote on their behalf at any of the shareholder meetings.</p> <p>The Chairman encourages shareholders to ask reasonable questions at any General Meeting or the Annual General Meeting of the Company. The Board makes itself available to all shareholders both before and after the Meetings.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Recommendation 6.4: A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	Complied	Any substantial resolutions considered under the ASX Listing Rules will be decided by poll rather than by a show of hands. The Company registry, Link Market will be appointed as the independent third party to manage and conduct the poll process.
Recommendation 6.5: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complied	All shareholders have the right to access details of their holdings, provide email address contacts and make certain elections via the Company's share registry, Link Market Services Limited by accessing the web site www.linkmarketservices.com.au . Shareholders have the right of option of receiving all or a selection of communication electronically.
Principle 7 — Recognise and manage risk		
Recommendation 7.1: The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. 	Complied	<p>The Board has established an Audit and Risk Management Committee.</p> <p>The function of the Audit and Risk Management Committee is contained in the Audit and Risk Management Committee Charter. eCargo's Audit and Risk Management Committee Charter is contained in the Corporate Governance Plan.</p> <p>The Audit and Risk Management Committee is chaired by Mr Rupert Myer AO, an independent director who is not Chairman of the Board.</p> <p>The Audit and Risk Management Committee consists of three members, Mr Rupert Myer, AO, Mr Heath Zarin. and Mr Yuming Zou. Of these members, all are independent Non-Executive Directors.</p> <p>For the individual attendances, please refer to the "Composition of the Board, number of the Board meeting and Directors Attendance" section of this report.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Recommendation 7.2: The board or a committee of the board should: <ul style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	Complied	<p>The Audit and Risk Management Committee has reviewed the Risk Management framework and will set the appropriate risk appetite within which the Board expect the management to operate.</p> <p>The Audit and Risk Management Committee will continue the process to review the risk management framework at least annually; and will disclose such review accordingly.</p>
Recommendation 7.3: A listed entity should disclose: <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes. 	Complied	<p>The Company maintained an internal audit function to ensure the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> <p>The Board is ultimately responsible for maintaining a sound and effective system of internal control and risk management of the Company and considers that the identification and management of key risk associated with the business is vital.</p>
Recommendation 7.4: A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	Complied	<p>The Company does not have any material exposure to economic, environmental and social sustainability risks. The material risks are disclosed at the Directors' Report of the Annual Report.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Principle 8 — Remunerate fairly and responsibly		
Recommendation 8.1: The board of a listed entity should: <ul style="list-style-type: none"> (a) have a remuneration committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	Complied	<p>The Board has established a Nomination and Remuneration Committee.</p> <p>The function of the Nomination and Remuneration Committee is contained in the Nomination and Remuneration Committee Charter contained in the Corporate Governance Plan.</p> <p>The Nomination and Remuneration Committee is chaired by Mr Heath Zarin, an independent director and consists of three non-executive directors. Of which these members, all are independent, Non-Executive Directors, namely, Mr Heath Zarin, Mr Rupert Myer, AO and Mr Yuming Zou.</p> <p>For the individual attendances, please refer to "Composition of the Board, number of the Board meetings and Directors Attendance" section of this report.</p>
Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Complied	<p>The remuneration structure for the non-executive directors is not related to performance. Non-executive directors receive fixed fees which reflect their skills, responsibilities and the time commitments required to discharge their duties.</p> <p>The remuneration structure for senior executives reflects the Company's performance culture: there is a direct correlation between the executive's reward and the Company's performance so as to seek to ensure that the Company's remuneration policy is aligned with its long term business objectives and the interests of shareholders and other stakeholders.</p>

Principles/recommendations	Does eCargo comply?	Particulars of compliance & if not why not
Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it. 	Not Applicable	The Company does have an equity based remuneration scheme.
Principle 9 — Additional recommendations that apply only in certain cases		
Recommendation 9.1: A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	Not Applicable	All Directors can speak and understand the language in which the Board or security holder meetings are held or key corporate documents are written and can discharge their obligations in relation to those documents.
Recommendation 9.2: A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	Complied	<p>The Company encouraged full participation of shareholder meetings and the shareholders meeting will normally be held in a place and time where majority shareholders can be easily accessed.</p> <p>A notice of General Meetings is sent to shareholders at least 21 days in advance of the meeting and specify the place, day and hour of the General Meeting. The company try to organize the meetings in its place of establishment and ensure suitable social distancing without lockdown status.</p>
Recommendation 9.3: A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complied	The Company invited the external auditors on its 2020 AGM who was available at the meeting to answer shareholders' questions regarding the financials statements and conduct of the audit.

Directors' Report

The Directors of eCargo Holdings Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively "ECG") for the year ended 31 December 2020.

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

Principal Activities

The principal activities of ECG are the development and provision of eCommerce technologies, integrated offline and online supply chain operations, and provision of digital commerce solutions and services and trading of fast moving consumer goods ("FMCG").

Results and Appropriations

The results of ECG for the year are set out in the consolidated statement of comprehensive income on page 43.

The Directors do not recommend the payment of a dividend.

Share Capital and Debentures Issued

No shares and debentures were issued by the Company in the year ended 31 December 2020.

Equity-linked Agreements

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

Directors

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

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

Executive Directors

Mr. John Lau

Non-Executive Director

Ms. Jessica Rudd (resigned on January 22, 2020)

Mr. Christopher Lau

Independent Non-Executive Directors

Mr. Rupert Myer AO

Mr. Heath Zarin

Mr. Yuming Zou (appointed on January 22, 2020)

(collectively, the "Board of Directors")

Remuneration

The remuneration of Directors and key management personnel are set out in Note 9 to the consolidated financial statements.

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

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. John Lau, Mr. Christopher Lau and Ms. Jessica Rudd are also Directors in certain subsidiaries of the Company. Other Directors of the Company's subsidiaries during the year and up to the date of this report are: Mr. Jason Byrne, Ms. Yip Sau Ling, Mr. Albert Tse, Ms. Yip Hiu Ching, Mr. Gilbert Wong, Mr. William Zhao, Mr. Garnok Cheung, Ms. Hai Yun Chen, Ms. Zhang Li Juan and Mr. Lawrence Lun.

Financial and Operations Review

	Year ended/ As at 31 December 2020 HK\$	Prior year HK\$	Percentage change %
Revenue from ordinary operations	218,453,159	177,406,615	+23%
Loss after income tax expense	(39,542,091)	(74,565,854)	-47%
Total comprehensive loss attributable to owners of the Company	(37,891,757)	(76,671,848)	-51%
EBITDA profit/(loss) excluding impact of foreign exchange, share of results from an associate and a joint venture, provision for impairment of interest in an associate, gain or loss on fair value of acquisition and financial derivatives and provision for impairment of goodwill	7,597,744	(6,656,137)	-214%
Total assets	125,560,069	144,580,835	-13%
Net liabilities	(68,164,609)	(30,272,852)	125%

The Chief Operating Decision Makers ("CODM") assesses and measures the operating performance of ECG based on the revenue and EBITDA (excluding impact of foreign exchange, share of results from a joint venture, gain or loss on fair value of financial derivatives and provision for impairment of goodwill) as CODM believes that such information is the most relevant in evaluating the results of ECG.

Consolidated revenue of the year was HK\$218.5 million (2019: HK\$177.4 million) of which HK\$15.6 million (2019: HK\$18.1 million) was attributable to eCommerce-enabling business, HK\$85.2 million (2019: HK\$85.9 million) was contributed by Amblique and HK\$115.3 million (2019: HK\$71.0 million) was contributed by FMCG business unit. The remaining was licensing revenue of HK\$2.4 million attributed to the corporate segment same as the previous year.

ECG reported an EBITDA profit excluding impact of foreign exchange, share of results from a joint venture, gain or loss on fair value of financial derivatives and provision for impairment of goodwill of HK\$7.6 million (2019: loss of HK\$6.7 million). ECG incurred a loss per share of HK\$6.43 cents for the year.

The Company did not propose any dividend distribution or share buy-back during the year ended 31 December 2020.

For a more detailed review of the performance of ECG, please refer to its 2020 full year financial results announcement released on February 24, 2021 and Chairman Statement in this Report.

Major Customers

For the year ended 31 December 2020, the five largest customers of ECG accounted for approximately 26% of ECG's total revenue. There are no single customers contributing 10% or more of ECG's total revenue.

Environmental policy and regulation

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

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

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

Key risk factors

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

Risks related to ECG's businesses and risks related to the industry in which ECG operates.		
Risk	Description of risk	Risk mitigation strategies
Risk that ECG's strategy to recruit merchants and suppliers is not effective.	ECG's strategy to recruit merchants and suppliers is not successful. This resulted in ECG failing to meet revenue and profit targets and might materially and adversely impacting the operating results.	ECG has a clear business plan in place. The plan is being constantly reviewed and evaluated against operating and financial targets by senior management with the Executive Chairman.
Risk that ECG does not have the necessary resources to fulfill its funding obligations.	Inability to sustain enough liquidity to satisfy operating needs or pay suppliers.	ECG is closely monitoring its working capital and cash flow with regular reporting to the Executive Chairman. A standby facility from the Executive Chairman is available.

Risks related to ECG's businesses and risks related to the industry in which ECG operates.		
Risk	Description of risk	Risk mitigation strategies
Risk that ECG's intellectual property may be used without authorisation or stolen.	<p>ECG relies on a combination of copyright, nondisclosure agreements and other methods to protect its intellectual property rights.</p> <p>To protect its trade secrets and other proprietary information, employees, consultants, advisors and collaborators are required to enter into confidentiality agreements. These agreements might not provide meaningful protection for the trade secrets, know-how or other proprietary information in the event of any unauthorised use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information.</p>	<p>ECG has only disclosed sensitive intellectual property or related information to particular employees, consultants, advisors, collaborators and Merchants on a "need-to-know-basis". ECG requires all such employees, consultants, advisors, collaborators and merchants to enter into confidentiality agreements or through the confidentiality clauses in employment agreements to protect the confidentiality of such intellectual property or related information. Where necessary ECG will enforce its intellectual property rights through litigation or arbitration.</p> <p>In regards to all new merchants, ECG will ensure that robust intellectual property safeguards are contained in their respective Service Agreements.</p>
Risk that ECG's merchants' online revenues are below expectations.	<p>There is a risk that ECG's merchants do not achieve online revenues according to expectations driven by a number of factors including but not limited to the marketing strategy deployed, merchandise mix, product availability and pricing. This would result in ECG failing to meet revenue targets and have a material and adverse effect on the operating results of ECG.</p>	<p>ECG mitigates this risk by redefining its target merchant pipeline and focusing marketing efforts on merchants who have a proven product and well-recognised brands and a willingness to invest in marketing activities, so that they are relatively more likely to succeed in generating online sales. ECG shall continue to monitor this closely and allocate appropriate resources in accordance with merchants' online sales activity and potential.</p>
Risk that ECG's FMCG revenues from its online stores on China platforms are impaired if the platforms cannot be functioned.	<p>ECG currently has online stores on two major platforms in China — Tmall and JD.</p> <p>ECG purchases FMCG products and sells to consumers on these online stores through a cross-border B2C model.</p> <p>ECG operates our online stores without any control on the functioning of the platforms.</p>	<p>ECG mitigates this risk by closely communicating with the operation teams of these platforms.</p>
Risk that increases in operating cost such as wages will increase cash flow pressure and impact profitability.	<p>In recent years, wages, particularly PRC's eCommerce have increased significantly. Wage increases will increase ECG's personnel cost and cost of operations. As a result, ECG's gross margin and net profit may decline.</p>	<p>ECG pays employees at market rate to attract and retain the necessary talents. ECG will mitigate this risk by evaluating outsource options against in-house team, and also considering locations of lower cost without compromising the quality of the team.</p>

Risks related to ECG's businesses and risks related to the industry in which ECG operates.		
Risk	Description of risk	Risk mitigation strategies
Uncertainties with respect to the PRC legal system may have a material adverse effect on ECG.	ECG conducts some of its business through its subsidiaries established in PRC. Despite the legal system in PRC continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit the legal protection available to ECG.	Uncertainties with respect to PRC's legal system are beyond the control of ECG. ECG will engage PRC lawyers to mitigate such risk if necessary.
Risk that ECG's management and key personnel may discontinue their services.	ECG relies on the expertise and experience of its Board of Directors and its management team to ensure its future success. There is a risk that if one or more of ECG's management or Directors were unable or unwilling to continue in their present position, ECG's business may be affected.	In the event any key personnel were to leave ECG, the Nomination and Remuneration Committee would aim to ensure a suitable replacement were found within the timeframes required and not at unreasonable cost to ECG.
Risk that the negative indicator(s) on intangible assets, mainly on goodwill exist and therefore impairment is required.	<p>According to the Accounting Standards, intangible assets are subject to impairment assessment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.</p> <p>An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to disposal and value in use.</p> <p>If ECG failed to achieve the budget or business plan, it will be an indicator for impairment which may adversely impact the bottom line of ECG.</p>	<p>ECG had assessed the value of those intangible assets.</p> <p>ECG has made a provision for impairment of goodwill and intangible assets of HK\$33.5 million in respect of the FMCG and Amblique.</p> <p>ECG's external auditor had reviewed the assessment on the impairment of goodwill and no objection to management's view.</p>
Risk that ECG's inventories became obsolete.	ECG purchases FMCG inventories which could have expiry dates. Unsold inventories may be subject to write down.	ECG mitigates this risk by closely managing the sourcing process to minimize excess inventories.
Risk that COVID-19 pandemic cause significant operational disruption	It could affect the ability of the ECG, merchants, suppliers and service providers to continue operating systems or to recover normal operations in the event of an outage.	<p>ECG continues to review the COVID-19 operating environment and has amended the business operations to reflect the changing operating environment. ECG actively monitors the changing consumer behavior to ensure that customer expectations continue to be met.</p> <p>ECG has benefited from the financial assistance measures provided by governments, to help protect both the business operations and employees. During the year, ECG received approximately HK\$2.7 million in financial assistance.</p>

Directors' Interest in Shares/Chess Depository Interests ("CDIs")

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

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

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

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

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

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

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

Management Contracts

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

Permitted Indemnity Provisions

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

Auditor

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

On behalf of the Board of Directors,

Mr. John Lau
Executive Chairman

Hong Kong, March 26, 2021

Independent Auditor's Report



pwc

羅兵咸永道

To the Members of eCargo Holdings Limited

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of eCargo Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 119, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independent Auditor's Report

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to impairment assessment of intangible assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of intangible assets</p> <p>Refer to Notes 2.9, 2.10, 4 and 15 to the consolidated financial statements.</p> <p>As at 31 December 2020, the Group had intangible assets attributable to the eCommerce solution services cash generating unit in Australia ("Australia CGU") and the fast moving consumer goods cash generating unit ("FMCG CGU") of HK\$18,589,162 and HK\$41,063,640, respectively, before impairment. The Group recognised impairment loss of HK\$13,284,136 and HK\$20,227,179, respectively, during the year ended 31 December 2020.</p>	<p>Our procedures in relation to management's assessment on the impairment of intangible assets included:</p> <ul style="list-style-type: none">• Obtained an understanding of the management's internal control and assessment process of impairment of intangible assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risks factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;• Evaluated the outcome of prior period impairment assessment of intangible assets to assess the effectiveness of management's estimation process;• Evaluated and tested the key controls over the assessment on the impairment of intangible assets;

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The Group tests goodwill for impairment at least annually or whenever events or changes in circumstances give rise indicator of impairment or other intangible assets for impairment whenever events or changes in circumstances give rise indicator of impairment in accordance with the policies set out in Note 2.10 to the consolidated financial statements. In performing the impairment assessment, management prepared value-in-use calculations of the Australia CGU and the FMCG CGU, with the support of an independent valuer, to determine their respective recoverable amounts.</p>	<ul style="list-style-type: none"> Involved our internal valuation expert in assessing the methodologies adopted and the reasonableness of key assumptions, including CAGR of revenue, EBITDA margin, pre-tax discount rate and terminal growth rate, underlying the value-in-use calculations; Assessed the objectivity, independence and expertise of the external valuer engaged by management by performing background search to ensure it is an independent third party to the Group and with sufficient qualification and expertise in valuation;
<p>Significant management judgements and estimations were used to estimate the future cash flows and to determine the key assumptions, including the compound annual growth rate ("CAGR") of revenue, earning before income tax, depreciation and amortisation ("EBITDA") margin, pre-tax discount rate and terminal growth rate, underlying the value-in-use calculations.</p>	<ul style="list-style-type: none"> Assessed the appropriateness of allocating the intangible assets into cash-generating units with our knowledge of the business; Reconciled the cash flow forecasts used in value-in-use calculations to management's approved budgets and evaluated the reasonableness of these budgets by comparing historical information and business plan;
<p>Based on the assessment, management has concluded that an impairment loss of HK\$13,284,136 and HK\$20,227,179 is necessary to adjust the carrying amounts of Australia CGU and FMCG CGU as at 31 December 2020, respectively.</p>	<ul style="list-style-type: none"> Evaluated the reasonableness of the assumptions over CAGR of revenue and EBITDA margin with reference to historical performance of Australia CGU and FMCG CGU, our knowledge of the business, and available market data;
<p>We focused on auditing the impairment of intangible assets including the related disclosures because the estimation of recoverable amounts is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of intangible assets is considered significant due to the subjectivity of significant assumptions used.</p>	<ul style="list-style-type: none"> Evaluated management's sensitivity analysis around the CAGR of revenue and EBITDA margin to consider the extent of changes in those assumptions that would result in an impairment of intangible assets;

Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

- Assessed the adequacy of the disclosures related to the impairment assessment of intangible assets in the context of the applicable financial reporting framework; and
- Considered whether the judgements made in selecting the methods, significant assumptions and data would give rise to indicators of possible management bias.

Based on the procedures performed, we considered that the risk assessment of the impairment assessment of intangible assets remained appropriate and the methods, significant assumptions and data used by management in the impairment assessment of the intangible assets including the related disclosures were supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Chun Yu.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 March 2021

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2020

	Note	2020 HK\$	2019 HK\$
Revenue	6	218,453,159	177,406,615
Cost of sales	7	(149,178,094)	(114,439,781)
Gross profit		69,275,065	62,966,834
Selling and distribution expenses	7	(12,704,956)	(9,789,268)
Administrative expenses	7	(61,687,169)	(78,960,202)
Research and development expenses	7	(1,552,743)	(1,997,618)
Net impairment losses on financial assets and contract assets	3.1, 7	(145,683)	(573,719)
Other income	10	5,958,328	8,011,436
Other gains/(losses) — net	10	337,416	(482,938)
		(519,742)	(20,825,475)
Finance income	11	18,614	38,178
Finance expense	11	(5,240,550)	(5,342,595)
Finance expense — net	11	(5,221,936)	(5,304,417)
Share of results of a joint venture	17	1,347,000	477,699
Provision for impairment of intangible assets	15	(33,511,315)	(49,276,724)
Loss before income tax		(37,905,993)	(74,928,917)
Income tax (expense)/credit	12	(1,636,098)	363,063
Loss for the year		(39,542,091)	(74,565,854)
Other comprehensive income/(loss)			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		1,650,334	(2,105,994)
Total comprehensive loss for the year		(37,891,757)	(76,671,848)
Loss per share for loss attributable to owners of the Company			
— Basic and diluted (HK cents per share)	13	(6.43)	(12.12)

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

Consolidated Statement of Financial Position

As at 31 December 2020

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

Consolidated Statement of Financial Position

As at 31 December 2020

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

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

The financial statements on page 43 to 119 were approved by the Board of Directors on March 26, 2021 and were signed on its behalf by:

Mr. John Lau
Executive Chairman

Mr. Heath Zarin
Independent Non-Executive Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

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

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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

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

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

Notes to the Consolidated Financial Statements

1 General information

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

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

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

2 Basis of preparation and summary of significant accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation of the financial statements

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

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

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

Notes to the Consolidated Financial Statements

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

2.2 Basis of preparation of the financial statements (Continued)

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

Amendments to HKFRS 3 (Revised) Definition of a business (amendments)

Conceptual Framework for Financial Reporting Revised conceptual Framework for Financial reporting Reporting 2018

Amendments to HKAS 1 and HKAS 8 Definition of material (amendments)

Amendments to HKAS 39, HKFRS 7 Interest Rate Benchmark Reform – Phase 1 (amendments) and HKFRS 9

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments)	1 January 2021
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (amendments)	1 January 2022
Amendment to HKFRS 3	Definition of a business (amendments)	1 January 2022
Amendment to HKFRS 16	Property, Plant and equipment (amendments)	1 January 2022
Amendment to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets (amendments)	1 January 2022
HKFRS 16	Covid-19-Related Rent Concessions (amendments)	1 June 2020
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023

Notes to the Consolidated Financial Statements

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

2.2 Basis of preparation of the financial statements (Continued)

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

		Effective for accounting periods beginning on or after
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

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

2.3 Principle of consolidation and equity accounting

2.3.1 Subsidiaries

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

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

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

Notes to the Consolidated Financial Statements

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

2.3 Principle of consolidation and equity accounting (Continued)

2.3.2 Associates

Associates are all entities over which ECG has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting (Note 2.3.4), after initially being recognised at cost.

2.3.3 Joint arrangements

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

2.3.4 Equity method

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

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

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

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

Notes to the Consolidated Financial Statements

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

2.3 Principle of consolidation and equity accounting (Continued)

2.3.5 Changes in ownership interests

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

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

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

2.4 Business combinations

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

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

Notes to the Consolidated Financial Statements

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

2.4 Business combinations (Continued)

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.

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.

Notes to the Consolidated Financial Statements

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

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

Notes to the Consolidated Financial Statements

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

2.7 Foreign currency translation (Continued)

(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.

Notes to the Consolidated Financial Statements

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

2.8 Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

2.9 Intangible assets

(a) Goodwill

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

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

(b) Brand name

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

(c) Contractual customer relationships

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

(d) Suppliers relationships

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

Notes to the Consolidated Financial Statements

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

2.9 Intangible assets (Continued)

(e) Software

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

2.10 Impairment of non-financial assets

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

2.11 Investments and other financial assets

(i) Classification

ECG classifies its financial assets in the following measurement categories:

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

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

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

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

Notes to the Consolidated Financial Statements

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

2.11 Investments and other financial assets (Continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on ECG's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which ECG classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses — net and impairment expenses are presented as separate line item in the statement of profit or loss.

Notes to the Consolidated Financial Statements

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

2.11 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

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

Equity instruments

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

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

(iv) Impairment

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

For trade receivables, ECG applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 20 for further details.

Notes to the Consolidated Financial Statements

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

2.12 Inventories

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

2.16 Trade and other payables

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

Notes to the Consolidated Financial Statements

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

2.17 Borrowings

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

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

2.18 Borrowing costs

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

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

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

2.19 Current and deferred income tax

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

(a) Current income tax

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

Notes to the Consolidated Financial Statements

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

2.19 Current and deferred income tax (Continued)

(b) *Deferred income tax*

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

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

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

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

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.

Notes to the Consolidated Financial Statements

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

2.20 Employee benefits

(a) Short-term obligations

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

(b) Other long-term employee benefit obligation

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

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

Notes to the Consolidated Financial Statements

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

2.20 Employee benefits (Continued)

(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.

(d) *Post-employment obligations*

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

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

(e) *Bonus plan*

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

Notes to the Consolidated Financial Statements

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

2.21 Provisions

Provisions are recognised when ECG has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

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

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

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.

Notes to the Consolidated Financial Statements

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

2.22 Revenue recognition (Continued)

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

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

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

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

2.23 Interest income

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

Notes to the Consolidated Financial Statements

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

2.24 Loss per share

(i) **Basic loss per share**

Basic earnings per share is calculated by dividing:

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

(ii) **Diluted earnings per share**

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

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

2.25 Leases

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

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

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

Notes to the Consolidated Financial Statements

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

2.25 Leases (Continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

2.25 Leases (Continued)

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

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

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

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

2.26 Government grants

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management

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

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

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31 December 2020, if HK\$ had strengthened/weakened by 5% against the A\$ with all other variables held constant, post-tax loss for the year would have been approximately HK\$294,000 (2019: HK\$129,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of trade receivables and other receivables, trade and other payables and bank deposits denominated in the A\$.

At 31 December 2020, if HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax loss for the year would have been approximately HK\$413,000 (2019: HK\$338,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of trade receivables and other receivables, trade and other payables and bank deposits denominated in the RMB.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 December 2020, if HK\$ had strengthened/weakened by 5% against the NZ\$ with all other variables held constant, post-tax loss for the year would change by approximately HK\$65,000 (2019: HK\$56,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of trade receivables, trade and other payables and bank deposits denominated in the NZ\$.

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

(ii) Cash flow and fair value interest rate risk

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

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

At 31 December 2020, if interest rate on borrowing held at variable rate had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK\$378,000 (2019: HK\$357,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowing.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

(i) Risk management

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

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

At the date of the consolidated statement of financial position, 51% (2019: 55%) of the total receivables was due from ECG's largest five debtors. Accordingly, ECG's consolidated results would be heavily affected by the financial capability of these debtors to fulfill their obligations with ECG. ECG's credit risk monitoring activities relating to the debtors include review of the credit profile, business prospects, background and their financial capacity.

(ii) Impairment of financial assets

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

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

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

Trade receivables and contract assets

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

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

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

	Lifetime expected loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
As at 31 December 2020				
Individual assessment	100%	531,410	(531,410)	-
Collective assessment				
Current	0%-3.2%	17,897,794	(123,676)	17,774,118
Past due:				
1 to 30 days	0%-3.2%	6,836,939	(31,634)	6,805,305
31 to 60 days	0%-9.8%	1,378,489	(89,817)	1,288,672
61 to 90 days	0%-12.7%	1,259,258	(20,642)	1,238,616
Over 90 days	0%-20.1%	587,330	(177,917)	409,413
		27,959,810	(443,686)	27,516,124

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

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

	Lifetime expected loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
As at 31 December 2019				
Individual assessment	100%	479,903	(479,903)	–
Collective assessment				
Current	0%-3.5%	12,583,003	(63,850)	12,519,153
Past due:				
1 to 30 days	0%-3.5%	7,103,708	(15,778)	7,087,930
31 to 60 days	0%-7.3%	1,503,108	(83,301)	1,419,807
61 to 90 days	0%-7.9%	350,955	(4,406)	346,549
Over 90 days	0%-18.4%	962,236	(142,301)	819,935
		22,503,010	(309,636)	22,193,374

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

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

Other financial assets at amortised cost

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

(c) Liquidity risk

ECG adopts prudent liquidity risk management and maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The contractual undiscounted cash flows of ECG's financial liabilities, which include trade and other payables, amounts due to related parties and lease liabilities, mature within one year from the date of consolidated statement of financial position, equal to their carrying balances as the impact of discounting is not significant.

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

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", "contract assets", "amounts due from related parties", "trade and other payables", "contract liabilities", "amounts due to related parties", "borrowings", "put option liabilities" and "lease liabilities". The carrying amounts less impairment of these balances are a reasonable approximation of their fair values due to their short term maturities.

4 Critical accounting estimates and judgments

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

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

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments (Continued)

(a) Impairment assessment of long-lived assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments (Continued)

(b) Net realisable value of inventories

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

5 Segment information

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

The CODM considers the business from both geographic and services perspective and concluded the segments as eCommerce Business Services and Fast Moving Consumer Goods in Greater China ("Greater China") and eCommerce Solution Services in Australia ("Australia"). The CODM assesses and measures the operating performance of ECG based on the revenue, gross profit and EBITDA (excluding net foreign exchange loss) as management believes that such information is the most relevant in evaluating the results of ECG's segments. EBITDA gain/loss excluding impact of foreign exchange loss, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, finance income, finance expense, ECG's share of results of an associate and a joint venture, gain on fair value of contingent liabilities and provision for impairment of intangible assets.

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

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

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

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:

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

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

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

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

Information about major customer

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

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

Notes to the Consolidated Financial Statements

5 Segment information (Continued)

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

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

Significant changes in contract assets and liabilities

During the year ended 31 December 2020, the balances of contract assets are similar. ECG also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. No impairment was made for contract assets as at 31 December 2020 and 2019.

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

Revenue recognised in relation to contract liabilities

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

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

6 Revenue

Revenue recognised during the year was as follows:

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

Notes to the Consolidated Financial Statements

7 Expenses by nature

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

8 Employee benefit expenses (including Directors' emoluments)

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

Notes to the Consolidated Financial Statements

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

(a) Directors' emoluments

The remuneration of each Director is set out below:

For the year ended 31 December 2020:

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

	Emoluments paid or receivable in respect of Director's other services in connection with the management of the affairs of the Company or its subsidiary						
	Fees	Salary	Others*	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as Director	Total	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. John Lau	-	-	-	-	-	-	-
Mr. Christopher Lau	-	-	-	-	-	-	-
Mr. Rupert Myer AO [#]	96,145	-	-	-	-	-	96,145
Mr. Heath Zarin [#]	96,145	-	-	-	-	-	96,145
Ms. Jessica Rudd ¹	5,427	-	-	-	-	-	5,427
Mr. Yuming Zou ^{#2}	90,718	-	-	-	-	-	90,718
	288,435	-	-	-	-	-	288,435

#: Independent Non-Executive Directors

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

1: Resigned on 22 January 2020

2: Appointed on 22 January 2020

Notes to the Consolidated Financial Statements

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

(a) Directors' emoluments (Continued)

For the year ended 31 December 2019:

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

	Emoluments paid or receivable in respect of Director's other services						
	Remunerations paid or receivable in connection with the management of the affairs of the Company or its subsidiary						
	Employer's contribution to a retirement benefit scheme						
	Fees	Salary	Others*	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	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. John Lau	-	-	-	-	-	-	-
Mr. Christopher Lau	-	-	-	-	-	-	-
Mr. Rupert Myer AO [#]	98,249	-	-	-	-	-	98,249
Mr. Heath Zarin [*]	95,289	-	-	-	-	-	95,289
Ms. Jessica Rudd ¹	98,249	-	-	-	-	-	98,249
Mr. Dennis Lin ^{#2}	82,188	-	-	-	-	-	82,188
Mr. Yuming Zou ^{#3}	-	-	-	-	-	-	-
	373,975	-	-	-	-	-	373,975

#: Independent Non-Executive Directors

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

1: Resigned on 22 January 2020

2: Resigned on 31 October 2019

3: Appointed on 22 January 2020

Notes to the Consolidated Financial Statements

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

(b) Directors' retirement benefits and termination benefits

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

(c) Consideration provided to third parties for making available Directors' services

The Company does not pay consideration to any third parties for making available Directors' services during the year (2019: Nil).

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

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

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

Other than those disclosed in Note 29 to the financial statements, no significant transactions, arrangements and contracts in relation to ECG's business to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10 Other income

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

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

Notes to the Consolidated Financial Statements

10 Other income (Continued) Other gains/(losses) — net

	2020 HK\$	2019 HK\$
Net foreign exchange gain/(loss)	337,416	(482,938)

11 Finance expense — net

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

12 Income tax expense/(credit)

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

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2019:16.5%). For the year ended 31 December 2020, tax recession relates to tax reduction to tax payable under Two-Tiered Profits Rates Regime capped at HK\$165,000 for one of the Hong Kong incorporated entities of the Group (2019: HK\$165,000). No provision for Hong Kong profits tax has been made as ECG had sufficient tax losses brought forward to offset against the estimated assessable profit for the year ended 31 December 2020. No provision for Hong Kong profits tax has been made as no assessable profit for the year ended 31 December 2019 in Hong Kong.

Notes to the Consolidated Financial Statements

12 Income tax expense/(credit) (Continued)

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

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

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

13 Loss per share

(a) Basic

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

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

(b) Diluted

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

Notes to the Consolidated Financial Statements

14 Property, plant and equipment

	Furniture and fixtures HK\$	Computer equipment HK\$	Office equipment HK\$	Leasehold improvement HK\$	Total HK\$
As at 1 January 2019					
Cost	661,434	2,267,593	622,561	4,448,982	8,000,570
Accumulated depreciation and impairment	(308,643)	(1,874,703)	(542,523)	(3,510,799)	(6,236,668)
Net book amount	352,791	392,890	80,038	938,183	1,763,902
Year ended 31 December 2019					
Opening net book amount	352,791	392,890	80,038	938,183	1,763,902
Acquisition of a subsidiary (Note 28)	11,881	12,756	17,007	–	41,644
Additions	6,539	109,994	–	97,142	213,675
Depreciation charge (Note 7)	(56,096)	(247,506)	(91,782)	(916,894)	(1,312,278)
Currency translation differences	(2,897)	(6,569)	6,437	(50,151)	(53,180)
Closing net book amount	312,218	261,565	11,700	68,280	653,763
As at 31 December 2019					
Cost	693,528	2,528,772	1,230,429	4,564,923	9,017,652
Accumulated depreciation and impairment	(381,310)	(2,267,207)	(1,218,729)	(4,496,643)	(8,363,889)
Net book amount	312,218	261,565	11,700	68,280	653,763
Year ended 31 December 2020					
Opening net book amount	312,218	261,565	11,700	68,280	653,763
Additions	25,464	175,230	–	–	200,694
Depreciation charge (Note 7)	(46,536)	(142,480)	(10,254)	(65,662)	(264,932)
Currency translation differences	26,786	22,179	108	327	49,400
Closing net book amount	317,932	316,494	1,554	2,945	638,925
As at 31 December 2020					
Cost	765,989	2,852,402	1,278,555	4,775,000	9,671,946
Accumulated depreciation and impairment	(448,057)	(2,535,908)	(1,277,001)	(4,772,055)	(9,033,021)
Net book amount	317,932	316,494	1,554	2,945	638,925

Notes to the Consolidated Financial Statements

14(b) Leases

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

14(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, but may have extension options as described in (iv) below.

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

(iv) Extension and termination options

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

Notes to the Consolidated Financial Statements

15 Intangible assets

	Goodwill HK\$	Contractual customer relationships HK\$	Suppliers relationships HK\$	Brand name HK\$	Software HK\$	Total HK\$
As at 1 January 2019						
Cost	56,241,091	6,685,130	17,015,051	28,187,109	117,830,467	225,958,848
Accumulated amortisation	-	(5,236,684)	(567,168)	(3,751,089)	(111,144,116)	(120,699,057)
Net book value	56,241,091	1,448,446	16,447,883	24,436,020	6,686,351	105,259,791
Year ended 31 December 2019						
Opening net book amount	56,241,091	1,448,446	16,447,883	24,436,020	6,686,351	105,259,791
Acquisition of a subsidiary (Note 28)	12,728,104	-	8,840,233	-	-	21,568,337
Amortisation charge (Note 7)	-	(1,325,273)	(4,093,137)	(2,793,932)	(4,159,754)	(12,372,096)
Impairment	(49,276,724)	-	-	-	-	(49,276,724)
Currency translation differences	(1,116,946)	(12,849)	(325,934)	(237,160)	(61,349)	(1,754,238)
Closing net book value	18,575,525	110,324	20,869,045	21,404,928	2,465,248	63,425,070
As at 31 December 2019						
Cost	67,800,865	6,619,456	25,523,158	27,910,185	112,244,432	240,098,096
Accumulated amortisation and impairment	(49,225,340)	(6,509,132)	(4,654,113)	(6,505,257)	(109,779,184)	(176,673,026)
Net book value	18,575,525	110,324	20,869,045	21,404,928	2,465,248	63,425,070
Year ended 31 December 2020						
Opening net book amount	18,575,525	110,324	20,869,045	21,404,928	2,465,248	63,425,070
Amortisation charge (Note 7)	-	(108,072)	(2,571,457)	(2,734,082)	(1,128,914)	(6,542,525)
Impairment	(19,567,211)	-	(13,944,104)	-	-	(33,511,315)
Currency translation differences	991,686	(2,252)	(5,104)	1,686,475	99,452	2,770,257
Closing net book value	-	-	4,348,380	20,357,321	1,435,786	26,141,487
As at 31 December 2020						
Cost	74,151,213	7,239,446	27,913,700	30,524,302	112,922,959	252,751,620
Accumulated amortisation and impairment	(74,151,213)	(7,239,446)	(23,565,320)	(10,166,981)	(111,487,173)	(226,610,133)
Net book value	-	-	4,348,380	20,357,321	1,435,786	26,141,487

Notes to the Consolidated Financial Statements

15 Intangible assets (Continued)

Notes:

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

Goodwill is attributable to the Australia CGU and FMCG CGU. The recoverable amount of Australia CGU and FMCG CGU are determined based on value in use calculation. The calculation uses pre-tax cash flow projections based on financial budget approved by management. Cash flows beyond the projection period are extrapolated using the terminal growth rate stated below. The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

(i) Australia CGU

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

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

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

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

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

If the CAGR of revenue for the five-year period was reduced by 2% with all other variables held constant, ECG would have had to recognise a further impairment loss approximately of HK\$593,000.

(ii) FMCG CGU

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

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

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

Notes to the Consolidated Financial Statements

15 Intangible assets (Continued)

Notes: (Continued)

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

(ii) FMCG CGU (Continued)

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

In light of the changes in market conditions of the CGU, the expected growth of the CGU was adjusted to reduce the five years compound annual growth rate to 5.24% and adjusted the pre-tax discount rate to 28.7% with the other key assumptions remaining consistent with previous value-in-use calculations. Therefore, such changes to the valuation resulted in an impairment loss of HK\$20,227,179 being recognised against goodwill and intangible assets had been made in interim 2020.

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

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

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

(b) Impairment tests for intangible assets of CGUs

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

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

(i) Australia CGU

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

(ii) FMCG CGU

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

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

Notes to the Consolidated Financial Statements

16 Subsidiaries

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

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Equity interest held by the Company directly	Equity interest held by the Company indirectly	Particulars of issued share capital/registered capital
eCargo Enterprise Limited	Hong Kong, limited liability	Provision of eCommerce technologies services in Hong Kong	100%	-	HK\$10,000 ordinary share capital
ECG Digital Holdings Limited	British Virgin Islands ("BVI"), limited liability	Investment holdings in Hong Kong	100%	-	50,000 ordinary shares of US\$1 each
Jessica's Suitcase Pty Limited	Australia, limited liability	Operate an online store	100%	-	2,116 ordinary shares of A\$51,513
ECG Distribution Holding Limited	BVI, limited liability	Investment holdings in BVI	100%	-	50,000 ordinary shares of US\$1 each
ECG Asia Limited	BVI, limited liability	Investment holdings in BVI	100%	-	50,000 ordinary shares of US\$1 each
ECG Australia Pty Limited	Australia, limited liability	Provision of corporate services	100%	-	1,000 ordinary shares of A\$1 each
Enrich Technologies Limited	BVI, limited liability	Dormant	100%	-	1 ordinary share of US\$1 each
ECG Digital Commerce Limited	Hong Kong, limited liability	Provision of eMarketplace technology services in Hong Kong	-	100%	HK\$10,000 ordinary share capital
eCargo (China) Holdings Limited	BVI, limited liability	Investment holdings in BVI	-	100%	1 ordinary share of US\$1 each
Amblique Pty Limited	Australia, limited liability	Provision of eCommerce solutions services in Australia	-	100%	134,410 ordinary shares of A\$1 each eCARGO HOLDINGS LIMITED
JLE (China) Limited	Hong Kong, limited liability	Investment holdings in Hong Kong	-	100%	HK\$100 ordinary share capital
Jessica's Suitcase Co. Limited	Hong Kong, limited liability	Dormant	-	100%	HK\$10,000 ordinary share capital
深圳市嘉宏天成貿易發展有限公司	The PRC, limited liability	Provision of eCommerce business services in the PRC	-	100%	RMB13,000,000 registered share capital
杰叶商貿(上海)有限公司	The PRC, limited liability	Provision of eCommerce support and marketing services in PRC	-	100%	US\$10,000,000 registered share capital
Metcash Export Services Pty Limited	Australia, limited liability	Operate an online store and trading of FMCG	-	85% (note)	100 ordinary shares of A\$1 each
Metcash Asia Limited	The PRC, limited liability	Provision of eCommerce support and marketing services in PRC	-	85% (note)	RMB9,000,000 registered share capital
Enrich Technologies (HK) Limited	Hong Kong, limited liability	Dormant	-	100%	HK\$1,000 ordinary share capital
eCargo Trading Limited	United Kingdom, limited liability	Dormant	-	100%	2 ordinary shares of GBP1 each

Note:

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

Notes to the Consolidated Financial Statements

17 Interests in an associate and a joint venture

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

Notes:

- (a) On 25 July 2016, ECG entered into a deed with Walton Brown E-commerce Limited ("Walton Brown") for an investment of RMB60 million (equivalent to approximately HK\$70.2 million) into MM E-commerce Limited ("MM"). On the same date, MM entered into a deed with Novel Colour Limited ("WHL") for an investment of RMB150 million (equivalent to approximately HK\$175.5 million) into WWE & company (BVI) Limited ("WWE"), an investment holding company that aims to launch a new social shopping mobile platform in China. ECG has an effective interest of 20% in WWE through its investment in MM.

During the year ended 31 December 2019, WWE wound up and distributed all of the residual assets to shareholder and ECG received cash of HK\$6,118,422 as a result (Note 10).

- (b) In September 2019, ECG established Asean Business Group Pty Ltd ("ABG") with two other independent third party shareholders in September 2019. ECG holds 33.33% equity interest in ABG. ABG is a limited liability company incorporated in Australia and is engaged in the trading of fast moving consumer goods in Vietnam and Cambodia. ECG jointly control ABG with the other shareholders as the key operating and financial decisions of ABG required unanimous consent from all the shareholders.

Notes to the Consolidated Financial Statements

17 Interests in an associate and a joint venture (Continued) Summarised unaudited financial information for a joint venture

Set out below is the summarised unaudited financial information of the joint venture as at and for the year ended 31 December 2020 and 2019 which are accounted for using the equity method.

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

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

Reconciliation of summarised financial information

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

	ABG 2020 HK\$	ABG 2019 HK\$
Net assets		
Beginning of the year	640,662	–
Profit for the year	4,041,004	1,458,437
Distribution to shareholders	(3,093,207)	(817,890)
Currency translation difference	158	115
End of the year	1,588,617	640,662
Percentage of ownership interest	33.33%	33.33%
Interest in a joint venture	529,486	213,554

Individually immaterial associates

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

Notes to the Consolidated Financial Statements

18 Financial instruments by category ECG holds the following instruments:

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

19 Inventories

	2020 HK\$	2019 HK\$
Finished goods	6,289,302	15,501,990

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

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

Notes to the Consolidated Financial Statements

20 Trade receivables

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

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

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

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

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

The loss allowance increased by a further HK\$145,683 to HK\$975,096 for trade receivables during the current reporting period. The individually impaired trade receivables relate to customers whose creditworthiness has materially deteriorated and it is assessed that these receivables are not expected to be recovered. ECG does not hold any collateral or other credit enhancements over these balances.

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

Notes to the Consolidated Financial Statements

20 Trade receivables (Continued)

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

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

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

21 Prepayments, deposits and other receivables

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

Certain deposits have been pledged to secure rental deposits owned by the Company.

Other receivables were neither past due nor impaired and they were interest-free and repayable on demand as at 31 December 2020 and 2019. Management considers that the carrying amounts of deposits and other receivables approximate their fair values.

Notes to the Consolidated Financial Statements

21 Prepayments, deposits and other receivables (Continued)

The carrying amounts of ECG's deposits and other receivables are denominated in the following currencies:

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

22 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

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

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

Notes to the Consolidated Financial Statements

23 Trade payables, other payables and accruals

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

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

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

Notes to the Consolidated Financial Statements

24 Deferred income tax

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

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

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

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

Notes to the Consolidated Financial Statements

24 Deferred income tax (Continued)

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

25 Share capital

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

Notes to the Consolidated Financial Statements

26 Notes to the consolidated statement of cash flows

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

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

Notes to the Consolidated Financial Statements

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

(b) Net debt reconciliation

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

	2020 HK\$	2019 HK\$
Net debt		
Cash and cash equivalents	48,677,017	26,946,542
Borrowings	(90,478,810)	(85,603,517)
Lease liabilities	(5,743,428)	(5,923,851)
Net debt	(47,545,221)	(64,580,826)
Cash and cash equivalents	48,677,017	26,946,542
Gross debt — fixed interest rates	(96,222,238)	(91,527,368)
	(47,545,221)	(64,580,826)

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

Notes to the Consolidated Financial Statements

27 Borrowings

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

On 29 August 2016, ECG entered into an agreement with JL Enterprises Holdings Limited, ECG's major shareholder and a company wholly owned by Mr. John Lau, the Executive Chairman of ECG, as to provide a loan facility in an aggregate amount of up to HK\$50 million to support the ECG's working capital requirements. On 15 March 2017, an addendum agreement was signed to amend the maximum outstanding amount of the loan facility to HK\$70 million. On 14 February 2019, another addendum agreement was signed to amend the maximum outstanding amount of the loan facility to HK\$100 million (Note 29). As at 31 December 2020, the carrying amount of the borrowing from JL Enterprises Holdings Limited is HK\$90,478,810 (2019: HK\$85,603,517).

On 17 July 2018, Jessica's Suitcase entered into an agreement with JL Enterprises Holdings Limited as to provide a loan facility in an aggregate amount of up to A\$0.5 million to support Jessica's Suitcase working capital requirements. As at 8 November 2018, ECG entered into a deed of amendments to amend the terms in the original agreement to acquire Jessica's Suitcase. The fair value of borrowing from JL Enterprises Holdings Limited assumed at the acquisition date is A\$0.4 million (equivalent to HK\$2,386,095). ECG has settled the balance of A\$0.4 million (equivalent to approximately HK\$2,308,579) during the year ended 31 December 2019.

All loan facilities are unsecured and bear interest at prime rate quoted from the Hong Kong and Shanghai Banking Corporation Limited from time to time. All loan facilities can be utilised at ECG's demand and are repayable in accordance with a separate agreement to be made between ECG and JL Enterprises Holdings Limited.

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

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

Notes to the Consolidated Financial Statements

28 Business combination

Acquisition of Metcash Export Services Pty Limited

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

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

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

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

Notes to the Consolidated Financial Statements

28 Business combination (Continued) Acquisition of Metcash Export Services Pty Limited (Continued)

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

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

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

Notes to the Consolidated Financial Statements

28 Business combination (Continued) Acquisition of Metcash Export Services Pty Limited (Continued)

Outflow of cash to acquire business, net of cash

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

29 Related party transactions

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

Name of related party	Relationship with ECG
Mr. John Lau	Executive Director/Executive Chairman
Mr. Christopher Lau	Non-Independent Non-executive Director
Ms. Jessica Rudd	Non-Independent Non-executive Director
Mr. Rupert Myer AO	Independent Non-executive Director
Mr. Heath Zarin	Independent Non-executive Director
Mr. Yuming Zou	Independent Non-executive Director
JL Enterprises Holdings Limited	Shareholder of the Company, controlled by Mr. John Lau
CS China Logistics Limited	Shareholder of the Company, controlled by Mr. John Lau
Allport Cargo Services Limited	Shareholder of the Company, controlled by Mr. John Lau
Cargo Services Far East Limited	Controlled by Mr. John Lau
Cargo Tiancheng Technology Limited	Controlled by Mr. John Lau
CS Logistics Solutions Pty Limited	Controlled by Mr. John Lau
CN Logistics Limited	Controlled by Mr. John Lau
CN Logistics (Shanghai) Limited	Controlled by Mr. John Lau
Cargo Services (China) Limited	Controlled by Mr. John Lau
CS Packing (Hong Kong) Limited	Controlled by Mr. John Lau
EC-GO eCommerce Limited	Controlled by Mr. John Lau
深圳市一全通電子商務有限公司	Controlled by Mr. John Lau
深圳市看我商貿服務有限公司	Controlled by Mr. John Lau
深圳嘉宏互聯有限公司	Controlled by Mr. John Lau
ECG Digital Commerce Limited	Controlled by Mr. John Lau
Dreamtown International Ltd	Controlled by Mr. John Lau
廣州市嘉泓國際貨運代理有限公司上海分公司	Controlled by Mr. John Lau
Asean Business Group Pty Ltd	Joint venture

Notes to the Consolidated Financial Statements

29 Related party transactions (Continued)

The following transactions were carried out with related parties:

	2020 HK\$	2019 HK\$
(a) Revenue — note (i)		
Sales of software development services:		
— Cargo Services Far East Limited	2,400,000	2,400,000
(b) Expenses — note (i)		
Purchase of outsourced labour services:		
— Cargo Services Far East Limited	600,000	600,000
Purchases of outsourced import, storage, and courier fulfillment services:		
— Allport Cargo Services Limited	7,862	68,912
— Cargo Service (China) Limited	3,508,069	5,321,699
— CN Logistics Limited	1,600,824	4,107,356
— EC-GO eCommerce Limited	—	644,945
Lease payment/rental expense:		
— Cargo Services Far East Limited	185,340	—
	5,902,095	10,742,912

(c) Key Management compensation — note (ii)

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

	2020 HK\$	2019 HK\$
(d) Payment on behalf of ECG by related parties		
— Cargo Services Far East Limited	—	5,936
— Cargo Service (China) Limited	—	2,155,930
— 深圳市看我商貿服務有限公司	—	765,995
	—	2,927,861

Notes to the Consolidated Financial Statements

29 Related party transactions (Continued)

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

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

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

Notes to the Consolidated Financial Statements

29 Related party transactions (Continued)

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

(f) Borrowings from a shareholder

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

Notes:

- (i) These transactions are carried out on terms mutually agreed with the related parties.
- (ii) Key Management are deemed to be the Directors who have responsibility for planning, directing, and controlling the activities of the Company.
- (iii) Balances with related parties arise mainly from sale and purchase transactions and are due one month after the date of sale or purchase. The receivable balances and payable balances bear no interest and are denominated in HK\$.

Notes to the Consolidated Financial Statements

30 Statement of financial position and reserve movement of the Company

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

Approved by the Board of Directors on March 26, 2021 and were signed on its behalf by:

Mr. John Lau
Executive Chairman

Mr. Heath Zarin
Independent Non-Executive Director

Notes to the Consolidated Financial Statements

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

Note:

(a) Reserve movement of the Company

	Accumulated losses HK\$
As at 1 January 2019	(146,733,996)
Loss for the year	(303,186,559)
As at 31 December 2019 and 1 January 2020	(449,920,555)
Loss for the year	(39,462,215)
As at 31 December 2020	(489,382,770)

ASX

additional information

Issued Capital

As at March 19, 2021, the Company has 615,250,000 ordinary fully paid shares on issue, of which 615,250,000 are held by Chess Depositary Nominees Pty Ltd ("CDN"). CDN has issued 615,250,000 CHESS Depositary Interests ("CDIs") in relation to these shares.

There is no shares/CDIs currently under trading restriction.

CDN holds the legal title to shares on behalf of holders of CHESS Depositary Receipts. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying shares.

CDIs are traded in a manner similar to shares of Australian companies listed on ASX. CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

There is no on-market buyback currently in place.

Substantial Shareholders

The substantial holders of CDIs are the following CDI holders listed below who have notified the Company that they are a substantial holder under the Corporations Act 2001 in Australia. In general, under the Corporations Act (Australia), a person who holds a relevant interest in shares/CDIs of more than 5% of the Company's issued share capital is a substantial holder.

Holder	No of Shares/ CDIs	% of issued capital
JL Enterprises Holdings Limited, CS China Logistics Limited and Mr John Lau	347,652,460	56.51%
JLJ Enterprises Limited	61,371,971	9.98%
MR LAWRENCE WAI-LAM LUN	49,220,000	8.00%

ASX additional information

Top 20 shares/CDI Holders as at March 19, 2021.

Rank	Name	Total Units	% Issued Capital
1	JL ENTERPRISES HOLDINGS LTD	323,717,640	52.62%
2	JLJ ENTERPRISES LIMITED	61,371,971	9.98%
3	MR LAWRENCE WAI-LAM LUN	49,220,000	8.00%
4	EC-GO ECOMMERCE LIMITED	23,934,820	3.89%
5	MS YIWEN ZHANG	22,794,829	3.70%
6	TYCOON SMART LIMITED	17,500,000	2.84%
7	INVESTORLINK DIRECT PORTFOLIO PTY LIMITED	13,380,418	2.17%
8	TIGER WEALTH GLOBAL LIMITED	12,500,000	2.03%
9	MUTUAL TRUST PTY LTD	10,000,000	1.63%
10	GARDIOLE PTY LTD THE RH MYER SUPER FUND	9,000,000	1.46%
11	CHRISTOPHER LAU	8,132,460	1.32%
12	CASTLE GIANT HOLDINGS LIMITED	7,500,000	1.22%
13	WASHINGTON H SOUL PATTINSON & COMPANY LTD	5,625,000	0.91%
14	VENICS PTY LTD	4,160,000	0.68%
15	BNP PARIBAS NOMINEES PTY LTD	2,433,085	0.40%
16	EXCEL PAN VENTURES LIMITED	2,300,000	0.37%
17	NETWEALTH INVESTMENTS LIMITED	2,262,000	0.37%
18	INSPIRING FUTURE LIMITED	2,022,000	0.33%
19	VENSUP PTY LTD	1,620,000	0.26%
20	MR JASON CHRISTOPHER BYRNE	1,310,293	0.21%
Total Top 20 Holders		580,784,516	94.40%
Total Remaining Holders Balance		34,465,484	5.60%

ASX

additional information

Distribution of Shareholders/CDI holders

There were 720 shareholders/CDI holders at March 19, 2021. Each Shareholder/CDI holder is entitled to one vote for each security held.

Range	Total Holders	Units	% of issued capital
1-1,000	38	7,643	0.00%
1,001-5,000	200	661,211	0.11%
5,001-10,000	99	852,658	0.14%
10,001-100,000	285	10,358,357	1.68%
Over 100,000	98	603,370,131	98.07%
Totals	720	615,250,000	100.00%

There are no CDI holders who hold less than a marketable parcel as at March 19, 2021.

Voting Rights

The voting rights are that each CDI holder is entitled to 1 vote per CDI at a meeting of members, provided that a CDI Holder undertakes the following steps.

1. Instructing CDN as the legal owner to vote the shares underlying in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting and this must be completed and returned to the share registry prior to the meeting.
2. Informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their shares underlying the CDIS for the purposes of attending and voting at the general meeting or;
3. Converting their CDIs into a holding of these shares and voting these shares at the meeting.

The Company's Place of Incorporation

As the Company is incorporated in Hong Kong and not established in Australia, its corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by the Hong Kong Companies Ordinance and the Hong Kong Securities and Futures Commission. The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 in Australia.

The following information is provided on an annual basis to comply with the conditions on listing on ASX.

Takeovers

The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong. The Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

- acquire 30% or more of the voting rights of a company; or
- hold not less than 30% but not more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period,

then a general offer must be made to all other shareholders of the company.

Compulsory Acquisition

Part 13 of the Hong Kong Companies Ordinance sets out the right to buy out minority shareholders. If within four months of making an offer to buy shares, a company has acquired 90% in value of the shares, the acquiring company may give notice to the remaining shareholders that it desires to acquire their shares. Provided that notice is given within five months of the original offer, the acquiring company is entitled and bound to acquire those shares on the same terms as the offer.

Substantial Share/CDI Holder notices

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively "Corporate Insiders") of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation.

Corporate Directory

eCargo Holdings Limited

ARBN: 601 083 069

Hong Kong Company

Registration Number: 2088880

Registered Office — Australia

C/O — Amblique Pty Limited

Suite 2, Level 3,

104-112 Commonwealth Street,

Surry Hills, NSW 2010

Phone: +61 (02) 8272 3800

Registered Office — Hong Kong

13103N ATL Logistics Centre B

3 Kwai Chung Container Terminals

New Territories, Hong Kong

Phone: +852 2481 8308

Share/CDI Registry

Link Market Services Limited

Level 12, 680 George Street,

Sydney, New South Wales 2000 Australia

Phone: +61 (02) 8280 7100

Company Secretary

Irene Yip

Stock Exchange Listing

eCargo Holdings Limited,

CDIs are listed on the Australian

Securities Exchange (ASX)



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Suitcase

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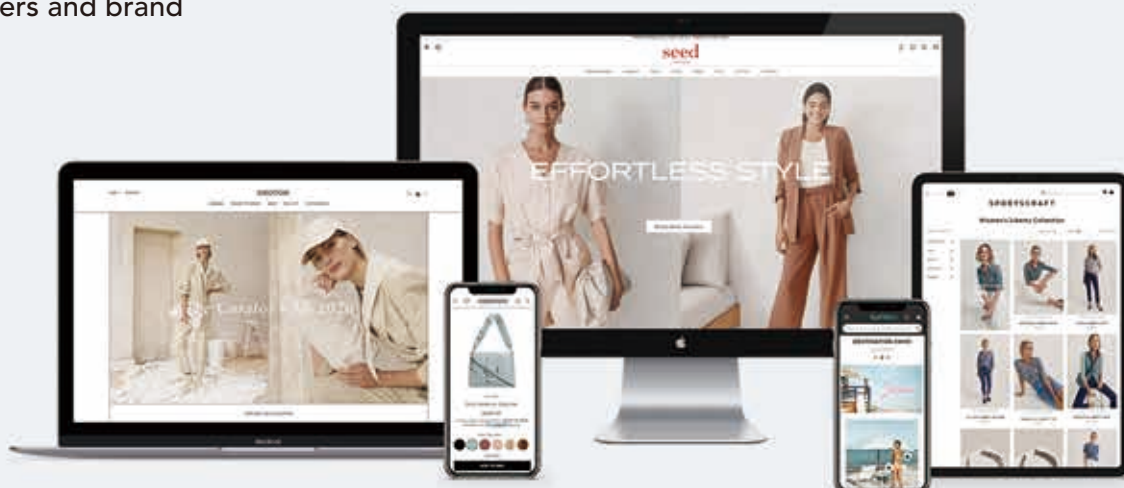
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