**eCARGO HOLDINGS LIMITED**

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 22 APRIL 2014 (DATE OF INCORPORATION)**

**TO 30 JUNE 2014**

eCargo

your eCommerce Partner

**eCARGO HOLDINGS LIMITED**

**Contents**

eCARGO HOLDINGS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 22 APRIL 2014 (DATE OF INCORPORATION) TO 30 JUNE 2014

| | Note | Period from 22 April 2014 (date of incorporation) to 30 June 2014 HK$ |
|---|---|---|
| Revenue | 5 | 46,722 |
| Cost of sales | | (37,845) |
| **Gross profit** | | 8,877 |
| Administrative expenses | 6 | (1,909,506) |
| **Loss before income tax** | | 1,900,629 |
| Income tax expense | 7 | - |
| **Loss and total comprehensive loss for the period** | | (1,900,629) |

The notes on pages 7 to 23 are an integral part of these financial statements.

eCargo
your eCommerce Partner

**eCARGO HOLDINGS LIMITED**

**UNAUDITED CONSOLIDATED BALANCE SHEET**
**AS AT 30 JUNE 2014**

| | Note | 2014<br>HK$ |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 9 | 1,057,530 |
| Intangible assets | 10 | 104,125,000 |
| | | 105,182,530 |
| **Current assets** | | |
| Trade receivables | 12 | 46,722 |
| Cash and cash equivalents | 13 | 1,816,548 |
| | | 1,863,270 |
| **Total assets** | | 107,045,800 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Other payables | 14 | 355,079 |
| | | 355,079 |
| **Net assets** | | 106,690,721 |
| **Equity** | | |
| Equity attributable to owner of the Company | | |
| Share capital | 15 | 108,591,350 |
| Accumulated losses | | (1,900,629) |
| **Total equity** | | 106,690,721 |

The notes on pages 7 to 23 are an integral part of these financial statements.

The financial statements on pages 2 to 23 were approved by the Board of Directors on 18 September 2014 and were signed on its behalf.

....................................
Director

....................................
Director

eCargo
your eCommerce Partner

**eCARGO HOLDINGS LIMITED**

**UNAUDITED BALANCE SHEET**
**AS AT 30 JUNE 2014**

| | Note | 2014<br>HK$ |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 9 | 1,057,530 |
| Intangible assets | 10 | 104,125,000 |
| Investment in a subsidiary | 11 | 1,000 |
| | | 105,183,530 |
| **Current assets** | | |
| Amount due from a subsidiary | 16 | 2,500,000 |
| Cash and cash equivalents | 13 | 100 |
| | | 2,500,100 |
| **Total assets** | | 107,683,630 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Amount due to a subsidiary | 16 | 1,000 |
| | | 1,000 |
| **Net assets** | | 107,682,630 |
| **EQUITY** | | |
| Equity attributable to owner of the Company | | |
| Share capital | 15 | 108,591,350 |
| Accumulated losses | 17 | (908,720) |
| **Total equity** | | 107,682,630 |

The notes on pages 7 to 23 are an integral part of these financial statements.

The financial statements on pages 2 to 23 were approved by the Board of Directors on 18 September 2014 and were signed on its behalf.

.................................... Director

.................................... Director

**eCARGO HOLDINGS LIMITED**

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 22 APRIL 2014 (DATE OF INCORPORATION) TO 30 JUNE 2014

| | Share capital HK$ | Accumulated losses HK$ | Total HK$ |
|---|---|---|---|
| **Balance at 22 April 2014** | 100 | - | 100 |
| Issuance of shares | 108,591,250 | - | 108,591,250 |
| **Transactions with owners** | 108,591,350 | - | 108,591,350 |
| Loss and total comprehensive loss for the period | - | (1,900,629) | (1,900,629) |
| **Total comprehensive loss** | - | (1,900,629) | (1,900,629) |
| **Balance at 30 June 2014** | 108,591,350 | (1,900,629) | 106,690,721 |

The notes on pages 7 to 23 are an integral part of these financial statements.

Cargo
your eCommerce Partner

**eCARGO HOLDINGS LIMITED**

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE PERIOD FROM 22 APRIL 2014 (DATE OF INCORPORATION)**
**TO 30 JUNE 2014**

| | Note | Period from 22 April 2014 (date of incorporation) to 30 June 2014 HK$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash used in operations | 18 | (683,552) |
| Net cash used in operating activities | | (683,552) |
| **Cash flows from investing activity** | | |
| Net cash used in investing activities | | - |
| **Cash flows from financing activity** | | |
| Proceeds from issuance of shares | | 2,500,100 |
| Net cash generated from financing activities | | 2,500,100 |
| **Net increase in cash and cash equivalents** | | 1,816,548 |
| Cash and cash equivalents at beginning of the period | | - |
| **Cash and cash equivalents at end of the period** | 12 | 1,816,548 |

The notes on pages 7 to 23 are an integral part of these financial statements.

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

## 1 General information

eCargo Holdings Limited (the “Company”) is principally engaged the development and provision of eCommerce technologies, integrated offline and online supply chain operations, and provision of digital retail solutions service.

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.

The financial statements are presented in Hong Kong Dollars (“HK$”), unless otherwise stated.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

### 2.1 Basis of preparation

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

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

(a) The following new or amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

| | |
|---|---|
| HKAS 32 (Amendment) | Offsetting Financial Assets and Financial Liabilities |
| HKAS 36 (Amendment) | Recoverable Amount Disclosures for Non-Financial Assets |
| HKAS 39 (Amendment) | Novation of Derivatives and Continuation of Hedge Accounting |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment) | Investment Entities |
| HK(IFRIC) - Int 21 | Levies |

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

(b) The following new or amended standards and interpretations have been issued but are not yet effective for the financial period beginning 1 January 2014 and have not been early adopted:

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKAS 16 and HKAS 38 (Amendment) | Classification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| HKAS 19 (2011) (Amendment) | Defined Benefit Plans: Employee Contributions | 1 July 2014 |
| HKFRS 9 | Financial Instruments | To be determined |
| HKFRS 11 (Amendment) | Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| HKFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2017 |
| Annual Improvements Projects | Annual Improvements 2010-2012 Cycle | 1 July 2014 |
| Annual Improvements Projects | Annual Improvements 2011-2013 Cycle | 1 July 2014 |

The Group has already commenced an assessment of the impact of these new or revised standard and amendments, which are relevant to the Group's operation and may give rise to changes in accounting policies, disclosure or measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results of operations and financial position.

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

### 2.2 Consolidation

The consolidated financial statements include the financial statement of the Company and all of its subsidiaries made up to 30 June 2014.

(a) Subsidiaries

Subsidiary is an entity (including a special purpose entity) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies. Subsidiary is fully consolidated from the date on which control is transferred to the Group. It is de-consolidated from the date that control ceases.

## 2 Summary of significant accounting policies (Continued)

### 2.2 Consolidation (Continued)

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated.

### 2.3 Related parties

A party is considered to be related to the Group if:

(i) the party, directly or indirectly, through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Group or its holding companies;

(v) the party is a close member of the family of any individual referred to in (i) or (iv); or

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v).

### 2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in HK$ which is the Company's functional and presentation currency.

## 2 Summary of significant accounting policies (Continued)

### 2.4 Foreign currency translation (Continued)

(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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within administrative expenses in the consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of all the group 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:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) 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

(c) all resulting currency translation differences are recognised in other comprehensive income.

### 2.5 Property, plant and equipment

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

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

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

| | |
|---|---|
| Leasehold improvements | Over the shorter of remaining lease term and useful life |
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Computer equipment | 33.33% |

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

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

eCARGO HOLDINGS LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.5 Property, plant and equipment (Continued)

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

### 2.6 Intangible assets - software

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

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

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed ten years.

### 2.7 Impairment of non-financial assets

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

## 2 Summary of significant accounting policies (Continued)

### 2.8 Financial assets

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

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

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

Financial assets and liabilities and offset and net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.9 Impairment of financial assets - assets carried at amortised cost

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

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

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

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

## 2 Summary of significant accounting policies (Continued)

### 2.10 Trade receivables

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

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

### 2.11 Cash and cash equivalents

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

### 2.12 Share capital

Ordinary shares are classified as equity.

### 2.13 Trade and other payables

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

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

### 2.14 Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates 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.

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

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

## 2 Summary of significant accounting policies (Continued)

### 2.14 Current and deferred income tax (Continued)

*Outside basis differences*

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

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

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

### 2.15 Employee benefits

(a) Employee leave entitlements

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

(b) Bonus plan

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

(c) Pension obligations

The Group operates a defined contribution plan in Hong Kong, 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 the Company. Contributions to the scheme by the Group and employees are calculated as a percentage of employees’ basic salaries. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

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

## 2 Summary of significant accounting policies (Continued)

### 2.16 Provisions

Provisions are recognised when the Group 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.

### 2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services, in the ordinary course of the Group's activities.

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

(a) Service income

Service income is recognised when the services have been rendered.

### 2.18 Operating leases (as the lessee)

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

## 3 Financial risk management

### 3.1 Capital management

The Group's objectives when managing capital, which comprises share capital and reserves attributable to owners of the Group, are to safeguard the Group'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.

The Group 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 the Group 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, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 3 Financial risk management (Continued)

### 3.2 Credit risk

The carrying amounts of bank balances and cash, and trade receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

There is no concentration of credit risk with respect to trade receivables. It has policies in place to ensure that sale of services are made to customers with good credit history.

### 3.3 Liquidity risk

The Group 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 the Group's financial liabilities, which include amounts payable and accruals, are due within 12 months and approximately their carrying amounts as the impact of discounting is not significant.

### 3.4 Foreign exchange risk

There are no significant foreign exchange risk as substantial transactions and balances are denominated of the functional currencies of respective group companies.

### 3.5 Fair value estimation

The Group's financial instruments include cash and cash equivalents, trade receivables, deposits and other receivables, accruals and other payables. 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 judgements

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.

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

(a) Impairment of receivables

The impairment of receivables from external customers is assessed based on the evaluation of the collectability and aging analysis, including the creditworthiness and the collection history of each party. Judgement is required when assessing the recoverability of these receivables.

## 4 Critical accounting estimates and judgements (Continued)

(b) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expense in future periods.

Impairment loss for property, plant and equipment is recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in note 3(e). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, which are based on the best information available to reflect the amount obtainable at each reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

(c) Impairment on investment in a subsidiary

The Company makes provision for impairment of investment in a subsidiary based on an assessment of the future economic benefits of the investment that will flow to the Company. The identification of provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of investment in the period in which such estimate has been changed.

## 5 Revenue

The Group is engaged in providing eCommerce techologies and online supply chain management services. Service income recognised during the period was as follows:

| | Period from 22 April 2014 (date of incorporation) to 30 June 2014 HK$ |
|---|---|
| Revenue | |
| Service income | 46,722 |

## 6 Expenses by nature

| | Period from 22 April 2014 (date of incorporation) to 30 June 2014 HK$ |
|---|---|
| Auditor's remuneration | - |
| Amortisation of intangible assets (Note 10) | 875,000 |
| Depreciation of property, plant and equipment (Note 9) | 33,720 |
| Employee benefit expenses (Note 19) | 912,572 |
| Other expenses | 88,214 |
| Total administrative expenses | 1,909,506 |

## 7 Income tax expense

No Hong Kong profits tax has been provided as the Group has no estimate profit for the period. The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

| | Period from 22 April 2014 (date of incorporation) to 30 June 2014 HK$ |
|---|---|
| Loss before income tax | (1,909,629) |
| Tax calculated at a tax rate of 16.5% | (315,089) |
| Tax losses for which no deferred income tax asset was recognised | 315,089 |
| Income tax expense | - |

The Group has unused tax losses available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit stream. These tax losses can be carries forward indefinitely.

## 8 Directors' emoluments (equivalents to key management compensation)

None of the directors received any fees or emoluments in respect of their services to the Group during the period.

eCARGO HOLDINGS LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

## 9 Property, plant and equipment - Group and Company

| | Furniture and fixtures HK$'000 | Computer equipment HK$'000 | Office equipment HK$'000 | Leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 22 April 2014 (date of incorporation) | | | | | |
| Cost | - | - | - | - | - |
| Accumulated depreciation and impairment | - | - | - | - | - |
| Net book amount | - | - | - | - | - |
| Period ended 30 June 2014 | | | | | |
| Additions | 198,862 | 500,852 | 242,019 | 149,517 | 1,091,250 |
| Disposals | - | - | - | - | - |
| Depreciation charge (Note 6) | (3,314) | (13,913) | (4,033) | (12,460) | (33,720) |
| Closing net book amount | 195,548 | 486,939 | 237,986 | 137,057 | 1,057,530 |
| At 30 June 2014 | | | | | |
| Cost | 198,862 | 500,852 | 242,019 | 149,517 | 1,091,250 |
| Accumulated depreciation and impairment | (3,314) | (13,913) | (4,033) | (12,460) | (33,720) |
| Net book amount | 195,548 | 486,939 | 237,986 | 137,057 | 1,057,530 |

Depreciation expense of HK$33,720 has been charged to administrative expenses.

## 10 Intangible software assets - Group and Company

| | Total HK$ |
|---|---|
| At 22 April 2014 (date of incorporation) | |
| Cost | - |
| Accumulated amortisation | - |
| Net book amount | - |
| Period ended 30 June 2014 | |
| Addition | 105,000,000 |
| Amortisation charge (Note 6) | (875,000) |
| Closing net book amount | 104,125,000 |
| At 30 June 2014 | |
| Cost | 105,000,000 |
| Accumulated amortisation | (875,000) |
| Net book amount | 104,125,000 |

## 10 Intangible assets - Group and Company (continued)

eCargo acquired the software in a share based payment transaction under which it issued 420 million shares for the software. The Company considered a range of valuation methodologies including an income-based discounted cash flow approach to determine a fair value for the software being acquired. The income-based discounted cash flow approach determines the value of the software as the present value of the profits attributable to the software after deducting the proportion of profits that are attributable to other contributory assets. Fixed assets, working capital, and assembled workforce were identified as contributory assets that were used to support the realization of cash flows from the software. The rates of return for each of these contributory assets were employed according to the risk inherent in each asset. These rates of return were multiplied by the respective asset balance to arrive at contributory asset charges. The excess earnings were the profit from the software after deducting all the contributory asset charges, which were then discounted with an appropriate discount rate to arrive at the fair value of the software. Assumptions adopted include a discount rate of 28%, contributory asset charges ranging from 8% to 19% and a ten year useful life for the software. The final acquisition price was based on commercial negotiations, and is broadly consistent with the fair value determined in the income-based discounted cash flow valuation.

## 11 Investment in a subsidiary

| | As at 30 June 2014 HK$ |
|---|---|
| Unlisted shares, at cost | 1,000 |

Particulars of the subsidiaries as at 30 June 2014 are as follows:

| Name | Place of incorporation /Operation | Principal activities | Nominal value of issued share capital | Equity interest held by the Company directly |
|---|---|---|---|---|
| eCargo Enterprise Limited | Hong Kong | Provision of eCommerce technologies | HK$1,000 | 100% |

## 12 Trade receivables

| | As at 30 June 2014 HK$ |
|---|---|
| Trade receivables | 46,722 |

(a) Trade receivables

Credit terms granted to customers are normally 60 days.

As the entire trade receivables balance has been subsequently settled within the credit period, the period end receivables are not considered as impaired.

Trade receivables that are less than six months past due are not considered impaired. As of 30 June 2014, no trade receivables were past due but not impaired.

## 12 Trade receivables (continued)

(b) The carrying amounts of trade receivables approximate their fair values and are denominated in HK$.

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

## 13 Cash and cash equivalents - Group and Company

| | Group<br>As at<br>30 June<br>2014<br>HK$ | Company<br>As at<br>30 June<br>2014<br>HK$ |
|---|---|---|
| Cash at bank | 1,816,548 | 100 |

The carrying amounts of the Group's and the Company's cash and cash equivalents are denominated in HK$.

## 14 Trade and other payables

| | 2014<br>HK$ |
|---|---|
| Accrued expenses | 355,079 |
| | 355,079 |

The carrying amounts of trade and other payables approximate their fair values and are denominated in HK$.

## 15 Share capital - Group and Company

| | Number of shares | Share capital<br>HK$ |
|---|---|---|
| At 22 April 2014 (incorporation date) | 10,000 | 100 |
| Issuance of shares | 439,990,000 | 108,591,250 |
| At 30 June 2014 | 440,000,000 | 108,591,350 |

## 16 Amounts due from/to a subsidiary

These balances are unsecured, interest-free and repayable on demand.

eCargo your eCommerce Partner

**eCARGO HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

## 17 Accumulated loss -Company

| | 2014<br>HK$ |
|---|---|
| At 22 April 2014 | - |
| Loss for the period | (908,720) |
| At 30 June 2014 | (908,720) |

## 18 Notes to the consolidated statement of cash flows

Cash generated from operations

| | Period from 22 April 2014 (date of incorporation) to 30 June 2014<br>HK$ |
|---|---|
| Loss before income tax | (1,900,629) |
| Adjustments for: | |
| - Depreciation of property, plant and equipment (Note 7) | 33,720 |
| - Amortisation of intangible assets (Note 8) | 875,000 |
| | (991,909) |
| Changes in working capital: | |
| - Trade receivables | (46,722) |
| - Trade and other payables | 355,079 |
| Cash generated from operations | 683,552 |

Non-cash transactions:

The addition of intangible assets and fixed assets amounted HK$105,000,000 and HK$1,091,250 respectively during the period was settled by issuance of shares of the Company.

## 19 Employee benefit expenses (including directors' emoluments)

| | Period from 22 April 2014 (date of incorporation) to 30 June 2014<br>HK$ |
|---|---|
| Wages and salaries | 678,433 |
| Other staff welfare | 234,139 |
| Total employee benefit expenses | 912,572 |

## 20 Operating lease commitments - as lessee

At 30 June 2014, the Group had future aggregate minimum lease payments in respect of office premises under non-cancellable operating leases as follows:

| | 2014<br>HK$ |
|---|---|
| No later than one year | 1,093,206 |
| Later than one year and no later than five years | - |
| | 1,093,206 |

## 21 Related party transactions

There are no related party transactions for the period from 22 April 2014 (incorporation date) to 30 June 2014.