

ALLCARGO HONG KONG LIMITED

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023**

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ALLCARGO HONG KONG LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of ALLCARGO HONG KONG LIMITED (the "Company") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Company are provision of shipping agency service and procurement service. There are no significant changes compared with the activities conducted in previous year.

FINANCIAL STATEMENTS

The result of the Company for the year ended 31 December 2023 and the Company's financial position as at that date are exhibited in the annexed audited financial statements.

RESERVES

Details of movements in reserves during the year are set out in the statement of changes in equity on page 8.

DIVIDENDS

An interim dividend of HK\$42.12 per share (2022: HK\$11.20) was paid on 24 February 2023. The directors do not recommend the payment of a final dividend (2022: Nil).

SHARE CAPITAL

There are no changes in the composition of the number of shares of the issued capital of the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that have, will or may result in the Company issuing shares or that require the Company to enter into any agreements that have, will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at 31 December 2023.

DIRECTORS

The directors during the year and up to the date of this report were:-

TONG Mung Hung Charles
WONG Sau Lan Becky

In accordance with the article 7 of the Company's Articles of Association, except permanent directors if any are appointed, all existing directors shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

ALLCARGO HONG KONG LIMITED

REPORT OF THE DIRECTORS (Continued)

REPORTING EXEMPTION

Since the Company falls within reporting exemption for the financial year in accordance with the Companies Ordinance, it has been exempted from certain disclosures in the report of the directors and in the financial statements.

AUDITOR

The financial statements for the year were audited by Messrs. CHENG & CHENG LIMITED who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

WONG Sau Lan Becky
Chairman

Hong Kong, < date of approval >

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALLCARGO HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of ALLCARGO HONG KONG LIMITED (the "Company") set out on pages 6 to 29, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 (Continued)

TO THE MEMBERS OF ALLCARGO HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. This report is made solely to you, as a body, in accordance with Section 405 of 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 HKSAAs 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 financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (Continued)

**TO THE MEMBERS OF
ALLCARGO HONG KONG LIMITED**

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (Continued)

- 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

CHENG & CHENG LIMITED
Certified Public Accountants

Hong Kong, < date of approval >

Ho Wan Nei
Practising Certificate number P06991

ALLCARGO HONG KONG LIMITED**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2023

	Note	2023 HK\$	2022 HK\$
Non-current assets			
Plant and equipment	4	50,974	48,493
Current assets			
Trade debtors	5	1,845,617	2,435,609
Prepayment		263,478	196,051
Amounts due from fellow subsidiaries	13	1,922,777	29,764,494
Cash at bank and on hand		119,225	57,318
		4,151,097	32,453,472
Current liabilities			
Accruals and other payables		1,390,488	2,419,442
Amount due to a fellow subsidiary	13	160,355	70,120
Current taxation		104,812	7,546,672
		1,655,655	10,036,234
Net current assets		2,495,442	22,417,238
Total assets less current liabilities		2,546,416	22,465,731
Capital and reserves			
Share capital	7	500,000	500,000
Reserves	7	2,046,416	21,965,731
		2,546,416	22,465,731

Signed on behalf of the Board of Directors by:-

WONG Sau Lan Becky
Director

TONG Mung Hung Charles
Director

The attached notes form an integral part of these financial statements.

ALLCARGO HONG KONG LIMITED**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2023

	Note	2023 HK\$	2022 HK\$
Revenue	8	11,497,290	39,260,580
Other income	9	-	466,250
Administrative and other operating expenses		(9,951,438)	(15,368,156)
Other net (loss)/income	9	(86,252)	72,220
Profit before taxation	10	1,459,600	24,430,894
Income tax	11	(318,915)	(4,089,624)
Profit for the year		<u>1,140,685</u>	<u>20,341,270</u>

There was no other comprehensive income or loss during the year.

The attached notes form an integral part of these financial statements.

ALLCARGO HONG KONG LIMITED**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2023

	Note	Share capital HK\$	Retained profits HK\$	Total HK\$
Balance at 1 January 2022		500,000	7,224,861	7,724,861
Profit for the year		-	20,341,270	20,341,270
Interim dividends	12	-	(5,600,400)	(5,600,400)
Balance at 31 December 2022 and 1 January 2023		500,000	21,965,731	22,465,731
Profit for the year		-	1,140,685	1,140,685
Interim dividends	12	-	(21,060,000)	(21,060,000)
Balance at 31 December 2023		500,000	2,046,416	2,546,416

The attached notes form an integral part of these financial statements.

ALLCARGO HONG KONG LIMITED**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2023

	Note	2023 HK\$	2022 HK\$
Operating activities			
Profit before taxation		1,459,600	24,430,894
Adjustments for:			
Depreciation of owned assets		20,818	15,842
Interest income		-	(6)
Operating profit before working capital changes		1,480,418	24,446,730
Decrease in trade debtors		589,992	7,113,192
Increase in prepayment		(67,427)	(29,814)
(Decrease)/Increase in accruals and other payables		(1,028,954)	311,567
Cash generated from operations		974,029	31,841,675
Tax paid		(7,760,775)	-
Net cash (used in)/from operating activities		(6,786,746)	31,841,675
Net cash from/(used in) investing activities	14	27,818,418	(25,778,615)
Net cash used in financing activities	15	(20,969,765)	(6,253,147)
Increase/(Decrease) in cash and cash equivalents		61,907	(190,087)
Cash and cash equivalents at the beginning of the year		57,318	247,405
Cash and cash equivalents at the end of the year	16	119,225	57,318

The attached notes form an integral part of these financial statements.

ALLCARGO HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. CORPORATE INFORMATION

ALLCARGO HONG KONG LIMITED (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and principal place of business is 10/F., Pacific Plaza, 410 Des Voeux Road West, Hong Kong.

2. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these financial statements are set out as follows:-

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Information on adoption of new accounting standards to the extent that they are relevant to the Company for the current and prior accounting periods are shown in note 3.

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The measurement basis used in the preparation of the financial statements is the historical cost basis. The financial statements are presented in Hong Kong Dollars and all values are rounded to the nearest dollar unless otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (Continued)**(c) FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Receivables

A receivable is recognized when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

Payables

Payables are initially recognized at fair value. Payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(d) PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost or valuation of each item of plant and equipment, less its estimated residual value, if any, using the straight line method over its estimated useful life, unless otherwise indicated. The estimated annual rate of depreciation adopted, is as follow:-

- Computer equipment	20%
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Where parts of an item of plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) CREDIT LOSSES AND IMPAIRMENT OF ASSETS**(i) Credit losses from financial instruments**

The Company recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, trade debtors and other receivables).

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (Continued)**(e) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)****(i) Credit losses from financial instruments (Continued)**

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The expected cash shortfalls of trade debtors and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade debtors is always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Company recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (Continued)**(e) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)****(i) Credit losses from financial instruments (Continued)**

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Company recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (Continued)**(e) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)****(i) Credit losses from financial instruments (Continued)**

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

An assessment is carried out at the end of each reporting period to determine whether there are any internal or external indications that assets are impaired. If any such indications exist, the recoverable amount of the assets, being the greater of its net selling price or value in use, is estimated. The carrying amount of the asset is reduced to its recoverable amount where appropriate. Such impairment loss is recognized in profit or loss.

(f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL).

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (Continued)**(g) EMPLOYEE BENEFITS****Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined benefit retirement plan obligations

The Company has the following defined benefit plans:

- Long service payment ("LSP") under the Hong Kong Employment Ordinance.

The Company's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Company's mandatory provident fund contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

(h) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities, if any. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using the prevailing tax rates, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (Continued)**(h) INCOME TAX (Continued)**

The limited exception to recognition of deferred tax assets and liabilities is:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:-

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(i) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized for other liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the financial statements.

The Company assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (Continued)**(j) REVENUE AND OTHER INCOME**

Income is classified by the Company as revenue when it arises from the provision of services in the ordinary course of the Company's business.

Revenue is recognized when control over service is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties.

The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are as follows:

(i) Shipping agency service income

The Company introduces customers to shipping agents and seeks ocean freight schedules on behalf of shipping agents. Shipping agency service income is recognised at a point in time when the agents have arranged goods on board.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Any other income not mentioned above is recognized whenever it is received or receivable.

(k) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the accounts of the Company are measured by using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Hong Kong Dollars ("HK\$"), which is the functional and presentation currency.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICIES (Continued)**(l) TRANSLATION OF FOREIGN CURRENCIES**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. Foreign currency differences are generally recognised in profit or loss.

(m) RELATED PARTIES

A related party is a person or entity that is related to the Company in these financial statements, as follows:-

- (i) A person, or a close member of that person's family, is related to the Company if that person:
 - (1) has control or joint control over the Company;
 - (2) has significant influence over the Company; or
 - (3) is a member of the key management personnel of the Company or the Company's parent.
- (ii) An entity is related to the Company if any of the following conditions applies:
 - (1) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (6) The entity is controlled or jointly controlled by a person identified in note 2(m)(i).
 - (7) A person identified in note 2(m)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

ALLCARGO HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

3. ADOPTION OF NEW ACCOUNTING STANDARDS

(a) New and amended HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Company. The following development is relevant to the financial statements of the Company:-

- * Amendments to HKAS 8, Definition of Accounting Estimates
- * Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The Company has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

The application of the amendments to HKFRSs in the current year had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the LSP in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

The Company is currently assessing the impact of the HKICPA guidance and expect to adopt this guidance with retrospective application in its financial statements for the year ending 31 December 2024.

ALLCARGO HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. PLANT AND EQUIPMENT

	Computer equipment HK\$
Cost	
At 1 January 2022	108,025
Additions	<u>15,910</u>
At 31 December 2022 and 1 January 2023	123,935
Additions	<u>23,299</u>
At 31 December 2023	<u>147,234</u>
Deduct: Accumulated depreciation	
At 1 January 2022	59,600
Charged for the year	<u>15,842</u>
At 31 December 2022 and 1 January 2023	75,442
Charged for the year	<u>20,818</u>
At 31 December 2023	<u>96,260</u>
Net book value	
At 31 December 2023	<u><u>50,974</u></u>
At 31 December 2022	<u><u>48,493</u></u>

5. TRADE DEBTORS

	2023 HK\$	2022 HK\$
Trade debtors	<u><u>1,845,617</u></u>	<u><u>2,435,609</u></u>

All the trade debtors are expected to be recovered within one year.

Trade debtors are due within 90 days from the date of billing. Further details on the Company's credit policy and credit risk arising from trade debtors are set out in note 18(b).

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

For the year ended 31 December 2023

5. TRADE DEBTORS (Continued)**Trade debtors that are not impaired**

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2023 HK\$	2022 HK\$
Not yet past due	1,488,497	1,991,424
1 to 3 months past due	437,125	444,185
More than 3 months past due but less than 12 months	21	-
	<u>1,925,643</u>	<u>2,435,609</u>

6. REMUNERATION, BENEFITS AND INTERESTS OF DIRECTORS

Directors' remuneration, benefits and interests disclosed pursuant to section 383 of the Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) for the year is "Nil" (2022: Nil).

7. CAPITAL AND RESERVES**Share Capital**

	2023		2022	
	No. of shares	HK\$	No. of shares	HK\$
Ordinary shares, issued and fully paid				
At the beginning and end of the year	500,000	500,000	500,000	500,000

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Reserves

Details of movements in reserves during the year are referred to in the statement of changes in equity. The nature and purpose of reserves within equity are as follows:-

Retained profits

Retained profits are the cumulative net earnings of the Company that have not been paid out as dividends, but retained to be reinvested in the business.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

For the year ended 31 December 2023

8. REVENUE

The Company is principally engaged in the provision of shipping agency service and procurement service. An analysis of revenue of the Company is as follows:-

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines and by geographical location of customers are as follows:

	2023 HK\$	2022 HK\$
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major services lines		
Shipping agency service income	11,497,290	39,260,580
Disaggregated by geographical location of customers		
Mainland China	11,497,290	34,944,757
Korea	-	3,094,243
Japan	-	580,636
Taiwan	-	355,677
United States of America	-	231,656
Thailand	-	53,611
	11,497,290	39,260,580
Disaggregated by timing of revenue recognition		
At a point in time	11,497,290	39,260,580

As the Company has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its service contracts for the provision of procurement service and shipping agency service such that the disclosure about revenue that the Company will be entitled to when it satisfies the remaining performance obligations under the contracts for provision of procurement service and shipping agency service that had an original expected duration of one year or less is not necessary.

9. OTHER INCOME AND OTHER NET (LOSS)/INCOME

	2023 HK\$	2022 HK\$
<u>Other income</u>		
Interest income from financial assets measured at amortized cost	-	6
Government grants (*)	-	141,600
Sundry income	-	324,644
	-	466,250
<u>Other net (loss)/income</u>		
Exchange (losses)/gains	(86,252)	72,220

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

For the year ended 31 December 2023

9. OTHER INCOME AND OTHER NET (LOSS)/INCOME (Continued)

(*) In 2022, the Company successfully applied for funding support from the "Anti-epidemic Fund" ("the Fund"), set up by the HKSAR Government. The purpose of the Fund is to provide time-limited financial support to employers to retain employees who may otherwise be made redundant.

10. PROFIT BEFORE TAXATION

	2023 HK\$	2022 HK\$
Profit before taxation is stated after charging:		
Depreciation of owned assets	20,818	15,842
Employee benefits:		
Salaries, wages and other benefits	6,327,676	12,373,049
Provident fund expenses under defined contribution retirement plan	82,548	106,500
Total employee benefits expenses	6,410,224	12,479,549

11. INCOME TAX

	2023 HK\$	2022 HK\$
Current tax - Hong Kong Profits Tax		
Charged for the year	318,915	4,089,624

Hong Kong Profits Tax is arrived at 16.5% on the estimated assessable profits for the year.

No provision for deferred taxation has been made in view of immaterial effect (2022: Nil).

The tax expense for the year can be reconciled to the results per the statement of profit or loss and other comprehensive income as follows:-

	2023 HK\$	2022 HK\$
Profit before taxation	1,459,600	24,430,894
Notional tax at the domestic income tax rate of 16.5%	240,834	4,031,097
Tax effect of non-deductible expenses	81,490	87,903
Tax effect of non-taxable revenue	-	(23,365)
Tax effect of unrecognized temporary differences	(409)	(11)
Tax relief for the year	(3,000)	(6,000)
Income tax expense for the year	318,915	4,089,624

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

For the year ended 31 December 2023

12. DIVIDENDS

	2023 HK\$	2022 HK\$
Interim dividends declared and paid at HK\$42.12 (2022: HK\$11.20) per share	21,060,000	5,600,400

13. RELATED PARTY DISCLOSURES

During the year, the Company had the following significant related party's transactions and balances:-

(a) Financing arrangements

	Note	Owed to/(by) the Company by/(to) related parties	
		As at 31 December	
		2023 HK\$	2022 HK\$
Amounts due from fellow subsidiaries	(i), (ii)	1,922,777	29,764,494
Amount due to a fellow subsidiary	(i)	(160,355)	(70,120)

(i) The outstanding balances with these related parties were unsecured, interest free and had no fixed repayment terms.

(ii) No provisions for bad or doubtful debts had been made in respect of these loans.

(b) Other related party transactions

	Note	Year ended 31 December	
		2023 HK\$	2022 HK\$
Shipping agency service income from fellow subsidiaries	(i)	11,497,290	38,904,903
Service fee paid to fellow subsidiaries	(ii)	1,979,243	1,535,123
Information technology service fee paid to fellow subsidiaries	(iii)	175,003	168,787

(i) Shipping agency service income from fellow subsidiaries was charged at a negotiated value. A balance of HK\$1,925,643 was still outstanding at the end of the reporting period (2022: HK\$2,435,609).

(ii) Service fee paid to fellow subsidiaries was charged at a negotiated value. No significant balance was carried forward at the end of the reporting period in respect of the current year and previous year.

(iii) Information technology service fee paid to fellow subsidiaries was charged at a negotiated value. No significant balance was carried forward at the end of the reporting period in respect of the current year (2022: HK\$168,787).

ALLCARGO HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

14. INVESTING ACTIVITIES

	2023 HK\$	2022 HK\$
Purchase of plant and equipment	(23,299)	(15,910)
Net movements of amounts due from fellow subsidiaries	27,841,717	(25,762,711)
Interest received	-	6
Net cash from/(used in) investing activities	27,818,418	(25,778,615)

15. FINANCING ACTIVITIES

	2023 HK\$	2022 HK\$
Net movements of amount due to a fellow subsidiary	90,235	(652,747)
Dividends paid	(21,060,000)	(5,600,400)
Net cash used in financing activities	(20,969,765)	(6,253,147)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	Amount due to a fellow subsidiary HK\$
At 1 January 2023	70,120
Changes from financing cash flows:	
Net movements of amount due to a fellow subsidiary	90,235
At 31 December 2023	160,355
	Amount due to a fellow subsidiary HK\$
At 1 January 2022	722,867
Changes from financing cash flows:	
Net movements of amount due to a fellow subsidiary	(652,747)
At 31 December 2022	70,120

ALLCARGO HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following items in the statement of financial position:-

	2023 HK\$	2022 HK\$
Cash at bank and on hand	119,225	57,318

17. CAPITAL MANAGEMENT

Capital comprises of share capital and reserves stated on the statement of financial position. The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for members.

The Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

The Company's operation is primarily sourced from the business income, and other finances sourced from the following which except otherwise indicated are interest free and have no fixed repayment terms:-

	2023 HK\$	2022 HK\$
Current liabilities		
Amount due to a fellow subsidiary	160,355	70,120
Accruals and other payables	1,390,488	2,419,442

The Company is not subject to externally imposed capital requirements.

18. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK\$	2022 HK\$
<u>Financial assets</u>		
Amortised cost	3,887,619	32,257,421
<u>Financial liabilities</u>		
Amortised cost	1,550,843	2,489,562

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

18. FINANCIAL INSTRUMENTS (Continued)**(b) Financial risk management**

Exposure to credit risk, liquidity risk, interest rate risk and currency risk arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to cash and cash equivalents, trade debtors and other receivables. The Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit-rating agencies. All other receivables were still within the normal credit term and were revalued to be collateral.

To manage the trade debtors, the Company has policies in place to ensure that services are provided to customers with an appropriate financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews regularly the recoverable amount of each individual trade debtors to ensure that adequate impairment losses are made for irrecoverable amounts.

Trade debtors are due within 90 days from the date of billing. Normally, the Company does not obtain collateral from customers.

The Company measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Company's different customer base.

The Company assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2022 and 2023.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2023

18. FINANCIAL INSTRUMENTS (Continued)**(b) Financial risk management (Continued)****Liquidity risk**

Management has built an appropriate liquidity risk management framework to meet the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

All the Company's financial liabilities are repayable on demand or within 1 year after the end of the reporting period.

Interest rate risk

The Company has no significant interest-bearing assets and liabilities. Cash at bank earns interest at rates based on bank's deposit rates.

Currency risk

The Company's functional currency is Hong Kong Dollars by using the currency of the primary economic environment in which the Company operates. However, the Company's majority trade transactions are denominated in the US Dollars. Management considers no significant exposure to foreign currency risk because of the Hong Kong Dollars pegged to US Dollars.

Fair values measurement

The carrying amounts of the Company's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 31 December 2022 and 2023.

19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and a new standard which may be relevant to the Company but are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5	1 January 2024
Amendments to HKAS 21, Lack of Exchangeability	1 January 2025

ALLCARGO HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)

The Company is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

20. ULTIMATE HOLDING COMPANY

The Company is controlled by its immediate holding company, AGL N.V., which is incorporated in Belgium. The ultimate holding company of the Company is Allcargo Logistics Limited, which is incorporated in India.

21. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation.

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on < date of approval >.