

ALLCARGO HONG KONG LIMITED

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**

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ALLCARGO HONG KONG LIMITED

REPORT OF THE DIRECTORS

The directors submit herewith their report together with the audited financial statements of ALLCARGO HONG KONG LIMITED (the "Company") for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activities of the Company are provision of shipping agency service and ocean and air freight forwarding service. There is no significant change compared with the activity conducted in previous year.

FINANCIAL STATEMENTS

The result of the Company for the year ended 31 December 2018 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 9.

DIVIDENDS

No dividends were paid or proposed to be paid (2017: Nil).

SHARE CAPITAL

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

DIRECTORS

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

MAN Sat Tol
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.

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.

ALLCARGO HONG KONG LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITOR

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

During the year, ESMOND W. T. LEUNG & CO., resigned as auditors of the Company and CHENG & CHENG LIMITED were appointed by the directors to fill casual vacancy so arising. A resolution for the re-appointment of CHENG & CHENG LIMITED as auditors of the Company will be proposed at the forthcoming annual general meeting.

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 7 to 34, which comprise the statement of financial position as at 31 December 2018, 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 a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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.

Material uncertainty related to going concern

We draw attention to note 2(d) to the financial statements which indicates that the Company incurred a net loss of HK\$8,549 for the year ended 31 December 2018 and, as of that date, the Company's current liabilities exceeded its current assets by HK\$35,153. As stated in note 2(d), these events or conditions, along with other matters as set forth in note 2(d), indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Company for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 8 August 2018.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE MEMBERS OF ALLCARGO HONG KONG LIMITED (Incorporated in Hong Kong with limited liability)

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.

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 HKSAs 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.

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)

As part of an audit in accordance with HKSAs, 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.
- 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.

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)

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 >

Cheng Hong Cheung
Practising Certificate number P01802

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

As at 31 December 2018

		At 31 December		At 1 January
	Note	2018	2017	2017
		HK\$	HK\$	HK\$
Non-current assets				
Plant and equipment	4	32,062	34,925	585
Current assets				
Trade debtors	5	5,356,619	2,314,678	2,039,802
Other receivables	6	3,748,188	240,576	3,417,747
Cash at bank and on hand		853,500	232,024	819,654
		9,958,307	2,787,278	6,277,203
Current liabilities				
Trade creditors	8	1,248,539	1,345,337	532,476
Other payables	9	8,744,921	1,471,408	-
		9,993,460	2,816,745	532,476
Net current (liabilities)/assets		(35,153)	(29,467)	5,744,727
Total assets less current liabilities		(3,091)	5,458	5,745,312
Capital and reserves				
Share capital	10	500,000	500,000	500,000
Reserves	10	(503,091)	(494,542)	5,245,312
		(3,091)	5,458	5,745,312

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 2018

	Note	2018 HK\$	2017 HK\$
Revenue	11	22,911,751	13,609,961
Cost of income		(13,983,023)	(9,487,671)
Gross profit		8,928,728	4,122,290
Other income	12	28	115
Administrative and other operating expenses		(8,819,806)	(4,629,111)
Other net (loss)/income	12	(27,924)	12,152
Finance costs	13	(89,575)	-
Loss before taxation	14	(8,549)	(494,554)
Income tax	15	-	-
Loss for the year		<u>(8,549)</u>	<u>(494,554)</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 2018

	Share capital HK\$	Retained profits/ (Accumulated losses) HK\$	Total HK\$
Balance at 1 January 2017	500,000	5,245,312	5,745,312
Changes in equity for 2017:			
Loss for the year	-	(494,554)	(494,554)
Dividends approved in respect of the previous year	-	(5,245,300)	(5,245,300)
Balance at 31 December 2017	500,000	(494,542)	5,458
Changes in equity for 2018:			
Loss for the year	-	(8,549)	(8,549)
Balance at 31 December 2018	500,000	(503,091)	(3,091)

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 2018

	Note	2018 HK\$	2017 HK\$
Operating activities			
Loss before taxation		(8,549)	(494,554)
Adjustments for:			
Depreciation of owned assets		9,840	2,073
Interest income		(28)	(115)
Plant and equipment written off		-	585
Interest on other loans		89,575	-
Operating profit/(loss) before working capital changes		90,838	(492,011)
Increase in trade debtors		(3,041,941)	(274,876)
Increase in other receivables		(461,330)	(17,576)
(Decrease)/Increase in trade creditors		(96,798)	1,004,269
Decrease in other payables		(28,151)	-
Net cash (used in)/from operating activities		(3,537,382)	219,806
Net cash (used in)/from investing activities	17	(3,225,509)	3,330,142
Net cash from/(used in) financing activities	18	7,384,367	(4,137,578)
Increase/(Decrease) in cash and cash equivalents		621,476	(587,630)
Cash and cash equivalents at the beginning of the year		232,024	819,654
Cash and cash equivalents at the end of the year	19	853,500	232,024

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 2018

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. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES

The principal 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. Significant 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) FIRST ADOPTION OF HKFRSs

The Company determined to first adopt HKFRSs for this fiscal year ended 31 December 2018 and the financial statements for this fiscal year ended 31 December 2018 are the first financial statements prepared under HKFRSs. Previously the Company prepared its financial statements in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities").

The date of transition to HKFRSs is 1 January 2017 (hereinafter referred to as the "transition date") and HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards: (Hereinafter referred to as "HKFRS 1") has been applied.

Upon the first adoption of HKFRSs, there is no significant impact on the Company's reported statement of financial position as at 31 December 2017 and 1 January 2017, and the statement of profit or loss and other comprehensive income and cash flows for the year ended 31 December 2017.

(c) 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.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(c) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)**

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.

(d) GOING CONCERN CONVENTION

The financial statements have been prepared on a going concern basis even though the Company incurred a net loss of HK\$8,549 for the year ended 31 December 2018 and, as of that date, the Company's current liabilities exceeded its current assets by HK\$35,153. The directors are of the opinion that this basis is appropriate because the members have agreed to provide continuing financial supports, if necessary, to the Company to meet its obligations as and when they fall due. Accordingly, it is not necessary to include any adjustments that would be required should the Company fail to continue as a going concern.

(e) 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.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognised in accordance with the Company's accounting policy for borrowing costs.

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

Receivables

A receivable is recognised 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.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(e) FINANCIAL INSTRUMENTS (Continued)****Receivables (Continued)**

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(h)(i)).

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.

(f) PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

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 annual rates of depreciation adopted, if any, are as follows:-

- | | |
|----------------------|-----|
| - Computer equipment | 20% |
|----------------------|-----|

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.

(g) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Company

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(g) LEASED ASSETS (Continued)****Operating lease charges**

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) 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 and trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

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 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.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

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

Loss allowances for trade receivables 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 recognises 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.

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.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

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

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 recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(m)(iii) 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 amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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 recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(h) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)****(ii) Impairment of other 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.

(i) 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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(h)(i).

(j) 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.

(k) 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.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(k) INCOME TAX (Continued)**

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.

(l) 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.

(m) REVENUE AND OTHER INCOME

Income is classified by the Company as revenue when it arises from the provision of shipping agency service and ocean and air freight forwarding service and in the ordinary course of the Company's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties.

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

(i) Handling fee income

The Company introduces customers to shipping agents. Handling fee income is recognized at a point in time when the agents have arranged goods on board.

A receivable is recognized when the promised services is transferred to another shipping agent as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

For the year ended 31 December 2018

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(m) REVENUE AND OTHER INCOME (Continued)****(ii) Ocean and air freight forwarding service income**

Revenue from providing ocean and air freight forwarding service is generally recognized at a point in time when the promised service is provided to the customer, which generally coincides with the time when the goods are arranged on board by the Company.

A receivable is recognised when the promised services is transferred to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iii) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) 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 amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(h)(i)).

(n) 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.

(o) 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. Exchange gains and losses are recognized in profit or loss.

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.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(p) 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(p)(i).
 - (7) A person identified in note 2(p)(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.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. Amongst them, the following developments are relevant to the financial statements of the Company:-

- * HKFRS 9, Financial instruments
- * HKFRS 15, Revenue from contracts with customers
- * HK(IFRIC) 22, Foreign currency transactions and advance consideration

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

There is no material impact on the financial statements of the Company as the new HKFRSs and amendments to HKFRSs were consistent with policies already adopted by the Company.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

3. ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)**(i) HKFRS 9, Financial instruments**

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Company has applied HKFRS 9 retrospectively to items that existed at 1 January 2017 in accordance with the transition requirements. There is no material impact on retained profits and reserve as at 1 January 2017 due to the impact of transition to HKFRS 9.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and liabilities remain the same under HKFRS 9. The carrying amounts for all financial assets and liabilities at 1 January 2017 have not been impacted by the initial application of HKFRS 9.

The Company did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2017.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Company applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

For further details on the Company's accounting policy for accounting for credit losses, see note 2(h)(i).

There is no significant impact to the Company's financial statements and accordingly no adjustment to the opening balance of retained profits and reserves at 1 January 2017 and no restatement to the comparative information.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

3. ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)**(ii) HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

There is no material impact on retained profits as at 1 January 2017 for the adoption of HKFRS 15.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The timing of revenue recognition and accounting policies under HKFRS 15 for the Company is not materially different from the prior reporting periods and no retrospective adjustments were required.

ALLCARGO HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

3. ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Company.

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

For the year ended 31 December 2018

4. PLANT AND EQUIPMENT

	Computer equipment HK\$	Leasehold improvement HK\$	Furniture, fixtures & equipment HK\$	Total HK\$
Cost				
At 1 January 2017	-	160,985	665,561	826,546
Additions	36,998	-	-	36,998
Written off	-	(160,985)	(665,561)	(826,546)
At 31 December 2017 and 1 January 2018	36,998	-	-	36,998
Additions	6,977	-	-	6,977
At 31 December 2018	43,975	-	-	43,975
Deduct: Accumulated depreciation				
At 1 January 2017	-	160,985	664,976	825,961
Charged for the year	2,073	-	-	2,073
Eliminated on written off	-	(160,985)	(664,976)	(825,961)
At 31 December 2017 and 1 January 2018	2,073	-	-	2,073
Charged for the year	9,840	-	-	9,840
At 31 December 2018	11,913	-	-	11,913
Net book value				
At 31 December 2018	32,062	-	-	32,062
At 31 December 2017	34,925	-	-	34,925

5. TRADE DEBTORS

	2018 HK\$	2017 HK\$
Trade debtors	5,356,619	2,314,678

All the trade debtors are expected to be recovered or recognized as expense within one year.

Trade debtors are due within 30-90 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 20(b).

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

For the year ended 31 December 2018

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

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

	2018 HK\$	2017 HK\$
Neither past due nor impaired	4,035,259	1,751,263
Less than 1 month past due	851,735	430,826
1 to 3 months past due	449,822	93,739
More than 3 months past due but less than 12 months	19,803	38,850
	<u>5,356,619</u>	<u>2,314,678</u>

6. OTHER RECEIVABLES

	2018 HK\$	2017 HK\$
Deposits and prepayments	529,628	68,298
Amount due from the ultimate holding company	-	172,278
Amounts due from fellow subsidiaries	3,218,560	-
	<u>3,748,188</u>	<u>240,576</u>

All of the above receivables are expected to be recovered or recognized as expense within one year.

7. REMUNERATION, BENEFITS AND INTERESTS OF DIRECTORS

Remuneration, benefits and interests of the Company's directors disclosed pursuant to section 383 of the Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

Emoluments of the directors

The remuneration of the directors is set out below:

	2018 HK\$	2017 HK\$
Other emoluments in respect of director's other services in connection with the management of the affairs of the Company undertaking:		
Salaries, allowances and benefits in kind	688,600	716,232
Employer's contribution to a retirement benefit scheme	33,594	33,312
	<u>722,194</u>	<u>749,544</u>

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

For the year ended 31 December 2018

8. TRADE CREDITORS

All the trade creditors are expected to be settled within one year.

9. OTHER PAYABLES

	2018 HK\$	2017 HK\$
Accruals and sundry payables	163,257	191,408
Amount due to fellow subsidiaries	8,581,664	1,280,000
	<u>8,744,921</u>	<u>1,471,408</u>

All the above payables are expected to be settled or recognized as income within one year.

10. CAPITAL AND RESERVES**Share Capital**

	2018		2017	
	No. of shares	HK\$	No. of shares	HK\$
Ordinary shares, issued and fully paid				
At beginning and end of the year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

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:-

Accumulated losses

Accumulated losses are the cumulative net losses of the Company sustained in the business.

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

For the year ended 31 December 2018

11. REVENUE

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

Disaggregation of revenue

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

	2018 HK\$	2017 HK\$
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major services lines		
Handling fee income	3,604,163	-
Ocean and air freight forwarding service income	19,307,588	13,609,961
	<u>22,911,751</u>	<u>13,609,961</u>
Disaggregated by geographical location of customers		
The United States of America	19,307,588	13,609,961
Mainland China	3,604,163	-
	<u>22,911,751</u>	<u>13,609,961</u>
Disaggregated by timing of revenue recognition		
- At a point in time	<u>22,911,751</u>	<u>13,609,961</u>

As the Company has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its service contracts for the provision of shipping agency service and ocean and air freight forwarding 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 shipping agency service and ocean and air freight forwarding service that had an original expected duration of one year or less is not necessary.

12. OTHER INCOME AND NET (LOSS)/INCOME

	2018 HK\$	2017 HK\$
<u>Other income</u>		
Interest income from financial assets measured at amortized cost	<u>28</u>	<u>115</u>
<u>Other net (loss)/income</u>		
Exchange (losses)/gains	<u>(27,924)</u>	<u>12,152</u>

13. FINANCE COSTS

	2018 HK\$	2017 HK\$
Interest on other loans	<u>89,575</u>	<u>-</u>

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

For the year ended 31 December 2018

14. LOSS BEFORE TAXATION

	2018 HK\$	2017 HK\$
Loss before taxation is stated after charging:		
Depreciation of owned assets	9,840	2,073
Operating leases charges from:		
Minimum lease payments - Hire of land and buildings	-	66,348
Employee benefits:		
Salaries, wages and other benefits	6,724,020	3,456,994
Provident fund expenses under defined contribution retirement plan	163,574	68,112
Total employee benefits expenses	6,887,594	3,525,106

15. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the current year's taxable profits has been set-off by previous year's loss (2017: Nil).

No provision for deferred taxation has been made as the deferred tax assets were not expected to be recognized in the foreseeable future (2017: Nil).

At the end of the reporting period, the Company has unused tax losses of HK\$594,946 (2017: HK\$681,598) available for offset against future profits. However, no deferred tax asset in respect of them had been recognized due to the unpredictability of future profit streams even though those tax losses may be carried forward indefinitely.

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:-

	2018 HK\$	2017 HK\$
Loss before taxation	(8,549)	(494,554)
Notional tax at the domestic income tax rate of 16.5%	(1,411)	(81,601)
Tax effect of non-deductible expenses	15,240	10,154
Tax effect of non-taxable revenue	(5)	(19)
Tax effect of unrecognized temporary differences	473	(14,479)
Tax effect of unused tax losses not recognized	-	85,945
Tax effect of setting off of prior years' tax losses against current tax	(14,297)	-
Income tax expense for the year	-	-

ALLCARGO HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

16. RELATED PARTY DISCLOSURES

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

(a) Key management personnel remuneration

The remuneration of key management personnel including the directors during the year was as follows:

	Year ended 31 December	
	2018	2017
	HK\$	HK\$
<u>For directors</u>		
Short-term employee benefits		
- Salaries, allowances and benefits in kind	688,600	716,232
Post-employment benefits		
- Retirement scheme of defined benefit plans	33,594	33,312
	<u>722,194</u>	<u>749,544</u>

All the above remuneration is included in "employee benefits expenses" shown in note 14.

(b) Financing arrangements

	Note	Owed to/(by) the Company by/(to) related parties		Related interest expense	
		As at 31 December		As at 31 December	
		2018	2017	2018	2017
		HK\$	HK\$	HK\$	HK\$
Amount due from the ultimate holding company	(i), (ii)	-	172,278	-	-
Amounts due from fellow subsidiaries	(i), (ii)	3,218,560	-	-	-
Amounts due to fellow subsidiaries	(iii)	(8,581,664)	(1,280,000)	89,575	-

- (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.
- (iii) The outstanding balances with these related parties were bearing interest at 2% per annum, were unsecured and repayable on demand except for the amount of HK\$259,866 were unsecured, interest free and no fixed repayment terms (2017: unsecured, interest free and repayable on demand).

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

For the year ended 31 December 2018

16. RELATED PARTY DISCLOSURES (Continued)**(c) Other related party transactions**

	Note	Year ended 31 December	
		2018 HK\$	2017 HK\$
Ocean and air freight forwarding service income from fellow companies	(i)	6,065,391	2,492,969
Ocean and air freight forwarding service fee to related companies	(ii)	616,308	204,606
Handling fee income from fellow subsidiaries	(iii)	3,604,163	-

(i) Ocean and air freight forwarding service income from fellow subsidiaries was charged at a negotiated value. A balance of HK\$1,691,348 was still outstanding at the end of the reporting period (2017: HK\$900,428).

(ii) Ocean and air freight forwarding service fee to fellow subsidiaries was charged at a negotiated value. A balance of HK\$201,779 was still outstanding at the end of the reporting period (2017: HK\$285,009).

(iii) Handling fee income from fellow subsidiaries was charged at a negotiated value. A balance of HK\$1,992,685 was still outstanding at the end of the reporting period (2017: Nil).

17. INVESTING ACTIVITIES

	2018 HK\$	2017 HK\$
Purchase of plant and equipment	(6,977)	(36,998)
Net movements of amounts due from fellow subsidiaries	(3,218,560)	-
Repayment of amount due from a subsidiary	-	1,946,829
Repayment of amount due from a related company	-	1,406,230
Repayment of amount due from a former director	-	13,966
Interest received	28	115
Net cash (used in)/from investing activities	(3,225,509)	3,330,142

18. FINANCING ACTIVITIES

	2018 HK\$	2017 HK\$
Net movements of amounts due to fellow subsidiaries	7,301,664	1,280,000
Net movements of amount due from ultimate holding company	172,278	(172,278)
Dividends paid	-	(5,245,300)
Interest paid	(89,575)	-
Net cash from/(used in) financing activities	7,384,367	(4,137,578)

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

For the year ended 31 December 2018

18. FINANCING ACTIVITIES (Continued)**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 2017	-
Changes from financing cash flows:	
Net movements of amount due to a fellow subsidiary	<u>1,280,000</u>
At 31 December 2017 and 1 January 2018	<u>1,280,000</u>
Changes from financing cash flows:	
Net movements of amount due to a fellow subsidiary	7,301,664
Interest paid	<u>(89,575)</u>
Total changes from financing cash flows	<u>7,212,089</u>
Other changes:	
Interest expenses	<u>89,575</u>
At 31 December 2018	<u><u>8,581,664</u></u>

19. 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:-

	2018 HK\$	2017 HK\$
Cash at bank and on hand	<u>853,500</u>	<u>232,024</u>

20. 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.

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

For the year ended 31 December 2018

20. CAPITAL MANAGEMENT (Continued)

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:-

	2018 HK\$	2017 HK\$
Current liabilities		
Amounts due to fellow subsidiaries	8,581,664	1,280,000
Accruals and sundry payables	163,257	191,408

The Company is not subject to externally imposed capital requirements.

21. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	2018 HK\$	2017 HK\$
<u>Financial assets</u>		
Amortised cost	9,827,276	-
Loan and receivables (including cash and cash equivalents)	-	2,719,014
<u>Financial liabilities</u>		
Amortised cost	9,993,460	2,816,745

(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 trade 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.

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

For the year ended 31 December 2018

21. FINANCIAL INSTRUMENTS (Continued)**(b) Financial risk management (Continued)****Credit risk (Continued)**

To manage the trade debtors, the Company has policies in place to ensure that sales are made 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 30-90 days from the date of billing. Normally, the Company does not obtain collateral from customers.

The Company measures loss allowances for trade receivables 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 2017 and 2018.

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.

Liquidity risk

The Company is exposed to liquidity risk. As at 31 December 2018, the current liabilities of the Company exceed its current assets by HK\$35,153. The maintenance of the Company as a going concern depends on the continuing financial support from the members.

Interest rate risk

The Company has interest-bearing assets and liabilities in the form of cash and cash equivalent and loans from a fellow subsidiary. Management considers the exposure to the changes in market interest rate should not be materially enough to cause adverse financial effect on the Company's position.

Currency risk

The Company has no significant exposure to foreign currency risk as substantially all of the Company's transactions are denominated in its functional currency, Hong Kong 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 2017 and 2018.

ALLCARGO HONG KONG LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**For the year ended 31 December 2018

22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are relevant to the Company but are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HK(IFRIC) - Int 23, Uncertainty over income tax treatments	1 January 2019
Annual improvements to HKFRSs 2015-2017 cycle	1 January 2019
Amendments to HKAS 19 (2011), Employee benefits	1 January 2019

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.

23. 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.

24. SUBSEQUENT EVENT

On 1 January 2019, the Company entered into an agreement to dispose the line of business (ocean and air freight forwarding service) to a fellow subsidiary, PRISM GLOBAL LIMITED, at the consideration of HK\$_____.

25. COMPARATIVE FIGURES

The Company has initially applied HKFRS 15 and 9 at 1 January 2017. Comparative information is restated to conform the presentation and disclosure requirements under the HKFRS 15 and 9.

26. APPROVAL OF FINANCIAL STATEMENTS

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