

ECU WORLDWIDE (HONG KONG) LIMITED

REPORTING DOCUMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022

ECU WORLDWIDE (HONG KONG) LIMITED

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ECU WORLDWIDE (HONG KONG) LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and the audited financial statements of the Company for the year ended 31st December, 2022.

PRINCIPAL ACTIVITY

The Company's principal activity is set out in note 1.1 to the financial statements.

DIRECTORS

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

Udaya Kumar	(resigned on 18.10.2022)
Manish GOGIA	
LAM Pun Lai Bonny	(resigned on 4.7.2022)
WONG Sau Lan Becky	
NG Lai Ping Apple	(appointed on 4.7.2022)
Sachu SIMON	(appointed on 4.7.2022)

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout this year.

MANAGEMENT CONTRACTS

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

BUSINESS REVIEW

The Company is a wholly owned subsidiary of another body corporate. Accordingly, the Company is exempted from preparing a business review.

EQUITY-LINKED AGREEMENTS

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

ECU WORLDWIDE (HONG KONG) LIMITED

DIRECTORS' REPORT

DIRECTORS' INTERESTS

At no time during the financial year or at the end of the financial year was the Company, its parent companies, its subsidiary or its fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

In the opinion of the directors, no directors or shadow directors, if any, had material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company, its parent companies, its subsidiary or its fellow subsidiaries in the financial year or subsisted at any time in the financial year.

RECOMMENDED DIVIDENDS

The directors recommend the payment of interim dividends of HK\$44.3716 per share on 24th February, 2022, totaling HK\$66,557,400 (2021: HK\$29,270,955) which was paid during the year. The directors do not recommend the payment of final dividend.

AUDITORS

The financial statements have been audited by Messrs. Union Link CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. Union Link CPA Limited as the Company's auditors is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors



WONG Sau Lan Becky
Chairman
18th April, 2023

ECU WORLDWIDE (HONG KONG) LIMITED

INDEPENDENT AUDITOR'S REPORT

To the shareholders of ECU Worldwide (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of the Company set out on pages 6 to 30, which comprise the statement of financial position as at 31st December, 2022, and the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity 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 31st December, 2022, and of its financial performance and 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report set out on pages 1 to 2, 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.

ECU WORLDWIDE (HONG KONG) LIMITED

INDEPENDENT AUDITOR'S REPORT

Responsibilities of the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the appendix after this auditor's report. This description, which is located at page 5, forms part of our auditor's report.


UNION LINK CPA LIMITED

Certified Public Accountants

(LEE Mei Ling Grace - Practising Certificate Number P03151)

Hong Kong, 18th April, 2023

ECU WORLDWIDE (HONG KONG) LIMITED

APPENDIX TO INDEPENDENT AUDITOR'S REPORT

Further description of auditor's responsibilities for the audit of financial statements

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.

We communicate with those charged with governance 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.

ECU WORLDWIDE (HONG KONG) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2022

(Expressed in Hong Kong Dollars)

	NOTE	<u>2022</u>	<u>2021</u>
		\$	\$
Revenue	3	224,714,986	294,425,010
Cost of sales		<u>(157,184,188)</u>	<u>(232,231,444)</u>
Gross profit		67,530,798	62,193,566
Other revenue and income	4	56,032,584	11,293,573
Administrative expenses		(29,518,531)	(29,162,768)
Other operating expenses		<u>(6,076,803)</u>	<u>(3,329,571)</u>
Operating profit		87,968,048	40,994,800
Finance costs	5	<u>(275,429)</u>	<u>(4,535)</u>
Profit before tax	6	87,692,619	40,990,265
Income tax expense	9	<u>(5,166,818)</u>	<u>(4,764,262)</u>
Profit for the year		82,525,801	36,226,003
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>82,525,801</u>	<u>36,226,003</u>

The accompanying notes form an integral part of, and should be read in conjunction with, these financial statements.

ECU WORLDWIDE (HONG KONG) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2022

(Expressed in Hong Kong Dollars)

	NOTE	2022 \$	2021 \$
Non-current assets			
Property, plant and equipment	10	443,484	257,490
Right-of-use assets	11	3,723,430	-
Investment in a subsidiary	12	11,390,000	11,390,000
		<u>15,556,914</u>	<u>11,647,490</u>
Current assets			
Trade and other receivables	14	158,119,665	168,133,440
Cash and cash equivalents	15	286,605	1,425,816
		<u>158,406,270</u>	<u>169,559,256</u>
Current liabilities			
Bank overdraft	15	1,850,779	5,229,567
Lease liabilities	11	3,840,996	-
Trade and other payables	16	140,654,209	160,538,652
Income tax payable	17	392,556	4,182,284
Provision for long service payment	18	430,000	430,000
		<u>147,168,540</u>	<u>170,380,503</u>
Net current assets / (liabilities)		<u>11,237,730</u>	<u>(821,247)</u>
NET ASSETS		<u>26,794,644</u>	<u>10,826,243</u>
Equity			
Share capital	19	1,500,000	1,500,000
Retained earnings		25,294,644	9,326,243
		<u>26,794,644</u>	<u>10,826,243</u>

Approved on behalf of the Board of Directors


Manish GOGIA
Director


WONG Sau Lan Becky
Director

The accompanying notes form an integral part of, and should be read in conjunction with, these financial statements.

ECU WORLDWIDE (HONG KONG) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2022

(Expressed in Hong Kong Dollars)

	<u>2022</u>	<u>2021</u>
	\$	\$
Share capital		
Balance at beginning and end of the year	<u>1,500,000</u>	<u>1,500,000</u>
Retained earnings		
Balance at beginning of the year	9,326,243	2,371,195
Total comprehensive income for the year	82,525,801	36,226,003
Dividends paid		
(1st interim dividend of \$44.3716 (2021: \$1.5964) per share)	66,557,400	2,394,648
(2nd interim dividend of Nil (2021: \$7.5175) per share)	-	11,276,307
(3rd interim dividend of Nil (2021: \$10.4) per share)	-	15,600,000
	<u>(66,557,400)</u>	<u>(29,270,955)</u>
Balance at end of the year	<u>25,294,644</u>	<u>9,326,243</u>
Total equity	<u>26,794,644</u>	<u>10,826,243</u>

The accompanying notes form an integral part of, and should be read in conjunction with, these financial statements.

ECU WORLDWIDE (HONG KONG) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

(Expressed in Hong Kong Dollars)

	NOTE	2022 \$	2021 \$
Cash flows from operating activities			
Profit before tax		87,692,619	40,990,265
Adjustments for:			
Depreciation of property, plant and equipment		124,884	113,939
Depreciation of right-of-use assets		1,738,824	3,766
Dividend income		(54,858,628)	(11,239,920)
Gain on disposal of office equipment		-	(500)
Interest income		(3,552)	(3,520)
Operating profit before working capital changes		34,694,147	29,864,030
Changes in trade and other receivables		10,013,775	(136,682,656)
Changes in trade and other payables		(19,884,443)	124,459,354
Cash generated from operations		24,823,479	17,640,728
Interest received		3,552	3,520
Income tax paid		(8,956,546)	(593,591)
Net cash generated from operating activities		<u>15,870,485</u>	<u>17,050,657</u>
Cash flows from investing activities			
Dividend received		54,858,628	11,239,920
Proceeds from disposal of property, plant and equipment		-	500
Payments to acquire property, plant and equipment		(310,878)	(142,005)
Net cash generated from investing activities		<u>54,547,750</u>	<u>11,098,415</u>
Cash flows from financing activities			
Capital element of lease rental paid		(1,621,258)	(3,794)
Dividends paid		(66,557,400)	(29,270,955)
Net cash used in financing activities		<u>(68,178,658)</u>	<u>(29,274,749)</u>
Net changes in cash and cash equivalents		2,239,577	(1,125,677)
Cash and cash equivalents at beginning of the year		<u>(3,803,751)</u>	<u>(2,678,074)</u>
Cash and cash equivalents at end of the year	15	<u>(1,564,174)</u>	<u>(3,803,751)</u>

The accompanying notes form an integral part of, and should be read in conjunction with, these financial statements.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

1. GENERAL INFORMATION

1.1 Corporate information

ECU Worldwide (Hong Kong) Limited ("the Company") is a company incorporated in Hong Kong with limited liability. At the date of issue of these financial statements, the Company's registered office is located at 10/F., Pacific Plaza, 410 Des Voeux Road West, Hong Kong. The Company's principal activity is acting as a shipping forwarder.

1.2 Parent company

In the opinion of the directors, the immediate holding company is ECU HOLD N.V. which is a company incorporated in Belgium and the ultimate parent company (which is also the Company's ultimate controlling party and ultimate parent undertaking) is Allcargo Logistics Limited, which is a company incorporated in India.

1.3 Presentation currency and level of rounding

Unless stated otherwise, all currency figures in these financial statements are presented in Hong Kong Dollars rounded to the nearest one dollar.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Statement of compliance

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance that are relevant to the preparation of company level financial statements by an intermediate parent company.

As the Company is a holding company that is a wholly owned subsidiary of another body corporate, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance, and is therefore not required to prepare consolidated financial statements.

Given the above, these financial statements are not prepared for the purposes of compliance with HKFRS 10: *Consolidated Financial Statements*, so far as the preparation of consolidated financial statements is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the Group of which the Company is the parent. Furthermore, as these financial statements are prepared in respect of the Company only, disclosures required by HKFRS 12: *Disclosure of Interests in Other Entities*, have not been made.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation of the financial statements

These financial statements have been prepared under the historical cost convention, except for financial assets, which are stated at fair value, and non-current assets and disposal groups held for sale, which are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements 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 on-going basis. Revisions to accounting estimates are recognised 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.

2.3 Critical accounting judgments

Lessee's incremental borrowing rates

To derive the lessee's incremental borrowing rates to be used for the measurement of lease liability for a particular lease, a borrowing rate that is readily observable shall be referred to as the starting point and adjusted to reflect the features specific to each lease. The adjustments of each lease shall align the duration of the loan to the length of the lease; reflect the loan with a collateral similar to the nature and quality of the leased assets; reflect the loan amount similar to the value to the right-of-use asset; and align the currency of the loan with the currency of the lease payments.

2.4 Assumptions and other major sources of estimation uncertainty

Assumptions made about the future and other major sources of estimation uncertainty at the end of the reporting period that have significant risks of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below.

Depreciation of property, plant and equipment and right-of-use assets

The depreciation method and rates of the property, plant and equipment and right-of-use assets are based on the management's best estimate to their expected residual value, useful lives, consumption pattern, whether exercising purchase option, wear-and-tear and potential technical obsolescence to usage of the assets. Management uses all readily available information in determining all above factors. Any change in these factors may have a significant impact on the carrying amounts of the property, plant and equipment and right-of-use assets as stated in the statement of financial position and the profit or loss for the next reporting period. At present, the management is unable to provide information about the sensitivity and expected resolution of the uncertainty. The possible effect of the assumptions and sources of estimation uncertainty is unable to be estimated reliably; it is impracticable to disclose the extent of possible effects within the next reporting period.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.5 Changes in accounting policies and disclosures

HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Company:

Amendments to HKFRS 3: *Reference to Conceptual Framework*

Amendments to HKAS 16: *Proceeds before intended use*

Amendments to HKAS 37: *Onerous contracts — cost of fulfilling a contract*

Annual improvements to 2018-2022 cycle: *Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41*

2021 Amendments to HKFRS 16 Leases: *COVID-19-Related rent concession beyond 30th June, 2021*

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.6 New standards and interpretation not yet effective

HKICPA has issued the following HKFRSs, newly issued or revised as indicated and their amendments, ("the Standards and Amendments") that would become effective from the accounting period beginning on or after the mandatory effective date set out below, viz:-

Title	Mandatory effective date
HKFRS 17: <i>Insurance contracts and Related Amendments</i>	1st January, 2023
Amendments to HKAS 1: <i>Classification of liabilities as current or non-current</i>	1st January, 2023
Amendments to HKAS 1 and HKFRS Practice Statement: <i>Disclosure of accounting policies</i>	1st January, 2023
Amendments to HKAS 8: <i>Definition of accounting estimates</i>	1st January, 2023
Amendments to HKAS 12: <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1st January, 2023

The Company has not early adopted these HKFRSs. The Company is in the process of making an assessment of what the impact of these development is expected to be in the period of initial application. Initial assessment had indicated that the adoption of these HKFRSs would not have a significant impact on the Company's financial statements in the year of initial application.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.7 Revenue

Revenue is recognised as income when it is probable that the economic benefits associated with transaction will flow to the Company and when the amount of revenue as well as costs incurred for the transaction can be measured reliably. Revenue is measured at fair value of the consideration received or receivable and is shown net of discounts, rebates, returns and sales-related taxes on the following bases.

- i) Freightage income is recognised upon completion of the services provided.
- ii) Dividend income is recognised when the Company's right to receive dividend is established.

2.8 Foreign currency

The functional currency of the Company is Hong Kong Dollar. Foreign currency transactions are translated into the functional currency at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the approximate rates of exchange ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at that date when the fair value was measured. Exchange differences arising on the settlement or translation of foreign currency monetary items are recognised in profit or loss. However, exchange differences relating to a gain or loss on a non-monetary item that is recognised in other comprehensive income is recognised in other comprehensive income too.

2.9 Income tax

Income tax comprises current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from profit or loss as reported in the statement of profit or loss because of permanent difference and temporary difference.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases using in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, except to the extent that the deferred tax liabilities arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of an asset or liability in a transaction that affects neither accounting profit nor taxable profit or tax loss. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of an asset and liability in a transaction that affects neither the accounting profit nor the taxable profit or tax loss.

The net carrying amount of deferred tax assets is reviewed at the end of each reporting period and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Current and deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. However, the measurement of deferred tax liabilities associated with a non-depreciable asset measured using valuation model or an investment property measured at fair value shall reflect the tax consequences of recovering the carrying amount of the non-depreciable asset or investment property through sale. Deferred tax is generally recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.10 Property, plant and equipment

Property, plant and equipment are measured at initial recognition at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost comprises purchase price, conversion cost and estimated cost of dismantling and restoration. Expenditure such as repairs and maintenance, overhaul costs and borrowing costs are normally charged to profit or loss when they are incurred. Where expenditure has resulted in increases in the future economic benefits from the use of the property, plant and equipment, the expenditure is capitalised.

The residual values and useful lives of the property, plant and equipment are reviewed annually. If necessary, the residual value, depreciation method or useful life of that asset is amended prospectively to reflect the new expectation. Depreciation is calculated using the straight-line method to write off the depreciable amount of each property, plant and equipment to profit or loss unless it is included in the carrying amount of another asset over its estimated useful life. The principal annual rates used for depreciation are as follows:

Furniture and fixtures	-	20% to 33.33%
Office equipment	-	25%

On disposal or retirement, the cost together with associated accumulated depreciation and impairment losses, if any, of the property, plant and equipment are derecognised and any gain or loss resulting from the disposal is recognised in profit or loss.

2.11 Leases

Except for the recognition exemption, if applicable, right-of-use assets and lease liabilities are recognised for all contracts that are, or contain, leases of identified assets at the commencement date of leases. Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Lease liabilities are initially measured at the present value of unpaid lease payments using interest rate implicit to the lease or, if undeterminable, lessee's incremental borrowing rates and subsequently adjusted with interest on and the settlement of the lease liabilities, and the remeasurement arising from any reassessment of the lease liabilities or lease modifications. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

2.12 Subsidiary

Subsidiary is entity controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is accounted for at cost less impairment losses, unless the investment is classified as available-for-sale. The result of subsidiary is accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiary is required upon received a dividend from these investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carry amount of the investment in the separated financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-current assets other than financial assets

At the end of each reporting period, non-current assets other than financial assets are reviewed to determine whether there is any indication of impairment. Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful life or not yet available for use are tested for impairment annually. If there is any indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. For an asset of which the recoverable amount is indeterminable individually, it shall determine the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, its carrying amount is reduced to its recoverable amount. An impairment loss is normally recognised immediately in profit or loss, unless the asset is carried at revalued amount. Impairment loss of a revalued asset is firstly charged against revaluation surplus; any excessive amount is recognised in profit or loss.

Impaired assets and cash-generating units are subject to annual review. If there is any indication of reversal, it shall estimate recoverable amount and compare with its carrying amount. If the recoverable amount is higher than its carrying amount, the previously recognised impairment loss is reversed and the carrying amount of the asset (or assets in the cash-generating unit) is/are increased to the revised recoverable amount, but not in excess of the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount. Impairment loss of a revalued asset previously recognised in profit or loss is firstly reversed; any excess will be reversed to revaluation surplus. Reversal of impairment loss for a cash-generating unit shall be allocated to the assets of the cash-generating unit on a prorata basis.

2.14 Contract assets and contract liabilities

Contractual rights to consideration that is conditional in exchange for goods or services transferred to customers are recognised as contract assets. Contract assets are initially measured at the transaction prices allocated to the performance obligations and subsequently measured at initially recognised amount plus additional transaction prices less the amounts transferred to trade receivable and lifetime expected credit losses.

Incremental costs of obtaining and specifically identified direct costs incurred to fulfil a contract with a customer, unless irrecoverable, are capitalised as an asset; all other contract costs are recognised as expenses. capitalised contract costs are amortised to profit or loss on a systematic basis that reflect the timing of fulfilling performance obligations of related contract. When there is a significant change in the expected timing of fulfilling performance obligations to which the capitalised contract costs relate, the amortisation will be updated to reflect the change and accounted for as a change of accounting estimate. Impairment losses for capitalised contract costs are recognised in profit or loss if the capitalised contract costs exceed the net of unrecognised contract revenue and unrecognised contract costs of the related contract.

Considerations paid by customers for goods or services that have not been transferred to the customers are recognised as contract liabilities. Contract liabilities are initially measured at the fair value of considerations received and subsequently measured at initially recognised amount less amounts offset against subsequently recognised trade receivable.

2.15 Trade and other 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. If revenue has been recognised before the Company has an unconditional right to receive consideration, the amount is presented as a contract assets.

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

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Trade and other payables

Trade and other payables are initial recognition at the fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.17 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 statement of cash flows.

2.18 Employee benefits

Salaries, annual bonuses, paid annual leave 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 measured at their present values.

The Company operates a defined contribution plan under mandatory provident fund plan. The Company pays contributions to independent administrator on a mandatory basis. The Company has no further payment obligations once the contributions are paid. The contributions are recognised as employee benefit expense when they are incurred and the cost can be measured reliably.

2.19 Provision and contingent liabilities

Provisions are recognised for 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.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.20 Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements ("the reporting entity").

- a) A person, or a close member of that person's family, is related to the reporting entity if that person:
 - i) has control or joint control over the Company;
 - ii) has significant influence over the Company; or
 - iii) is a member of the key management personnel of the Company or it's parent.
- b) An entity is related to the reporting entity if any of the following conditions applies:
 - i) 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).
 - ii) 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).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - vi) The entity is controlled or jointly controlled by a person identified in (a).
 - vii) A person identified in (a)(i) 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).

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. REVENUE

Revenue represents freightage income.

4. OTHER REVENUE AND INCOME

	2022	2021
	\$	\$
Bank interest income	3,552	3,520
Dividend income	54,858,628	11,239,920
ESS subsidy	1,032,000	-
Gain on disposal of office equipment	-	500
Reversal of provision for impairment loss for trade receivables	66,102	-
Sundry income	72,302	49,633
	<u>56,032,584</u>	<u>11,293,573</u>

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

5. FINANCE COSTS

	2022	2021
	\$	\$
Bank overdraft interest	2,316	4,339
Interest on lease liabilities	273,113	196
	<u>275,429</u>	<u>4,535</u>

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting) the following items:

	NOTE	2022	2021
		\$	\$
Bad debts written off		1,517	-
Depreciation:			
- owned property, plant and equipment		124,884	113,939
- right-of-use assets		1,738,824	3,766
		1,863,708	117,705
Dividend income		(54,858,628)	(11,239,920)
ESS subsidy		(1,032,000)	-
Exchange loss		37,909	256,368
Finance costs	5	275,429	4,535
Management fee		4,014,186	3,167,705
Operating lease rentals		138,911	137,681
Reversal of provision for impairment loss for trade receivables		(66,102)	-
Staff costs:			
- fees, salaries and allowances		22,379,226	21,602,811
- provident fund contribution		755,875	702,150
		<u>23,135,101</u>	<u>22,304,961</u>

7. DIRECTORS' REMUNERATION

Remuneration of the directors (including former directors and shadow directors) of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

	2022	2021
	\$	\$
Fees	-	-
Other emoluments:		
- salaries and allowances	5,798,885	5,386,487
- provident fund contribution	114,007	118,932
	<u>5,912,892</u>	<u>5,505,419</u>

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

8. AUDITOR'S REMUNERATION

Auditor's remuneration and expenses for the year disclosed pursuant to Part 2 of Schedule 4 of the Hong Kong Companies Ordinance are as follows:

	2022	2021
	\$	\$
Auditor's remuneration	88,000	85,000
Auditor's expenses	10,360	8,360
	<u>98,360</u>	<u>93,360</u>

9. INCOME TAX EXPENSE

- 9.1 Hong Kong profits tax has been provided under two-tiered tax rates of 8.25% and 16.5% on the estimated assessable profits for the year less one-off tax reduction of 100% of profits tax for the year of assessment 2022/23 capped at \$6,000.

	2022	2021
	\$	\$
Tax charge for the year	<u>5,166,818</u>	<u>4,764,262</u>

- 9.2 Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2022	2021
	\$	\$
Profit before tax	<u>87,692,619</u>	<u>40,990,265</u>
Tax at applicable tax rates	14,304,282	6,598,393
Tax effect of non-taxable income	(9,222,540)	(1,855,168)
Tax effect of non-deductible expenses	91,598	48,530
Tax effect of temporary differences not recognised	(522)	(17,493)
Tax reduction	(6,000)	(10,000)
Income tax expense	<u>5,166,818</u>	<u>4,764,262</u>

- 9.3 No provision for deferred taxation has been made as there was no material temporary differences at the end of the reporting period.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Total
	\$	\$	\$
Cost:			
At 1.1.2021	1,851,047	1,680,743	3,531,790
Additions	-	142,005	142,005
Disposal / Written off	-	(65,642)	(65,642)
At 31.12.2021 and 1.1.2022	1,851,047	1,757,106	3,608,153
Additions	270,570	40,308	310,878
Written off	(64,040)	(669,959)	(733,999)
At 31.12.2022	2,057,577	1,127,455	3,185,032
Accumulated depreciation and impairment:			
At 1.1.2021	1,850,677	1,451,689	3,302,366
Charge for the year	370	113,569	113,939
Written back	-	(65,642)	(65,642)
At 31.12.2021 and 1.1.2022	1,851,047	1,499,616	3,350,663
Charge for the year	11,917	112,967	124,884
Written back	(64,040)	(669,959)	(733,999)
At 31.12.2022	1,798,924	942,624	2,741,548
Net carrying amount:			
At 31.12.2022	258,653	184,831	443,484
At 31.12.2021	-	257,490	257,490

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

11. LEASES

11.1 Right-of-use assets

	<u>2022</u>	<u>2021</u>
	\$	\$
Leasehold land and buildings		
Balance at beginning of year	-	2,755,192
Additions	5,462,254	-
Depreciation	(1,738,824)	(2,755,192)
Balance at end of year	<u>3,723,430</u>	<u>-</u>
Total cash outflow for leases	<u>1,590,984</u>	<u>1,590,984</u>

At the end of reporting period, the Company subsisted of the following non-cancellable lease contracts.

<u>Description of lease</u>	<u>Lease term</u>	<u>Lease payment</u>	<u>Other terms</u>
Office at 10/F., Pacific Plaza, 410 Des Voeus Road, West, Hong Kong	2.1.2022 to 1.1.2025	2.2.2022 to 1.1.2023 \$132,582 per month 2.1.2023 to 1.1.2024 \$136,071 per month 2.1.2024 to 1.1.2025 \$143,049 per month	Rental deposit \$563,370
Director's quarters at Units E & F, 7/F., Block 1, Pavilion Chianti, Discovery Bay, Hong Kong	9.6.2022 to 8.6.2024	9.6.2022 to 8.6.2024 \$45,000 per month	Rental deposit \$90,000

11.2 Lease liabilities

	<u>2022</u>	<u>2021</u>
	\$	\$
Current	1,980,802	-
Non-current	<u>1,860,194</u>	<u>-</u>
	<u>3,840,996</u>	<u>-</u>

12. INVESTMENT IN A SUBSIDIARY

	<u>2022</u>	<u>2021</u>
	\$	\$
Capital contribution, at cost	<u>11,390,000</u>	<u>11,390,000</u>

Particulars of the subsidiary at 31st December, 2022 were as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation and principal place of operation</u>	<u>Proportion of ownership interest and voting power</u>	<u>Nature of business</u>
广州市傲航国际货运代理有限公司	PRC	100%	Shipping forwarder

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2022	2021
	\$	\$
Contract assets		
Arising from performance under contracts	1,426,844	4,012,532
The amount of contract assets that is expected to be recovered within one year.		
	2022	2021
	\$	\$
Contract liabilities		
Billing in advance of performance under contracts	1,126,473	2,201,850
Movement in contract liabilities		
	2022	2021
	\$	\$
Balance at 1st January	2,201,850	1,873,944
Decrease in contract liabilities as a result of recognising revenue during the year	(2,201,850)	(1,873,944)
Increase in contract liabilities as a result of billing in advance of performance under contracts	1,126,473	2,201,850
Balance at 31st December	1,126,473	2,201,850

The amount of billings in advance of performance and forward sales deposit and instalments received is expected to be recognised as income within one year.

14. TRADE AND OTHER RECEIVABLES

	NOTE	2022	2021
		\$	\$
Trade debtors		25,309,412	55,131,258
Less: Provision for impairment loss		(152,000)	(335,000)
		25,157,412	54,796,258
Deposits and other receivables		565,770	534,969
Contract assets	13	1,426,844	4,012,532
Prepayment		1,961,113	414,942
Amount due from a subsidiary		-	281,371
Amount due from immediate holding company		129,008,526	108,093,368
		158,119,665	168,133,440

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade debtors are due within 90 days from the date of billing.

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the provision for impairment loss during this year is as follow:

	2022	2021
	\$	\$
At 1st January	335,000	335,000
Reversal of impairment loss	(183,000)	-
At 31st December	<u>152,000</u>	<u>335,000</u>

At the end of the reporting period, the Company's trade debtors of \$152,000 (2021: \$335,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management assessed that recovery of these receivables is considered doubtful. Consequently, specific allowance for doubtful debts were recognised.

(c) Trade debtors that are not impaired

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

	2022	2021
	\$	\$
Neither overdue nor impaired	<u>17,441,577</u>	<u>44,410,783</u>
1-30 days overdue	1,168,664	2,299,249
31-90 days overdue	2,180,211	5,816,943
More than 90 days overdue	<u>4,518,960</u>	<u>2,604,283</u>
	<u>7,867,835</u>	<u>10,720,475</u>
	<u>25,309,412</u>	<u>55,131,258</u>

Receivables that were neither overdue nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were overdue but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) The above inter-group balances are unsecured, interest free and have no fixed repayment terms.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

15. CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash and bank balances	286,605	1,425,816
Cash and cash equivalents reported in the statement of financial position	286,605	1,425,816
Bank overdraft	(1,850,779)	(5,229,567)
Cash and cash equivalents reported in the statement of cash flows	(1,564,174)	(3,803,751)

16. TRADE AND OTHER PAYABLES

	NOTE	2022	2021
		\$	\$
Amount due to a subsidiary		121,504,020	128,660,955
Trade creditors		5,499,302	4,903,883
Accruals and other payables		12,524,414	24,771,964
Contract liabilities	13	1,126,473	2,201,850
		140,654,209	160,538,652

The above inter-group balances were unsecured, interest free and have no fixed repayment terms.

17. INCOME TAX PAYABLE

Income tax payable represents:

	2022	2021
	\$	\$
Provision for profits tax for the year	5,166,818	4,764,262
Provisional profits tax paid	(4,774,262)	(581,978)
	392,556	4,182,284

18. PROVISION FOR LONG SERVICE PAYMENT

Long service payment is provided based on the best estimate of the long service payment that are required to be made to the employees of the Company in respect of their services to the end of the reporting period less any amounts that would be expected to be met out of the mandatory provident fund.

At the end of the reporting period, \$430,000 (2021: \$430,000) provision has been made for 22 (2021: 23) employees who have completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

19. SHARE CAPITAL

	2022	2021
	\$	\$
Issued and fully paid:		
1,500,000 ordinary shares without par value	1,500,000	1,500,000

The holders of ordinary shares are entitled to receive dividends and 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.

20. CAPITAL MANAGEMENT

Capital comprises share capital and reserves stated on the statement of financial position, the Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to the immediate holding company through the optimisation of the debt and owner equity balance.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to the immediate holding company, return capital to the immediate holding company, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the year of 2021 and 2022.

The Company does not have any minimum capital requirements imposed by laws.

21. COMMITMENTS UNDER OPERATING LEASES

At the end of the reporting period, the Company's total future minimum lease payments under non-cancellable operating leases, are payable as follows:

	2022	2021
	\$	\$
Not later than one year	125,800	110,400
Later than one year and not later than five years	519,400	285,200
	645,200	395,600

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

22. FINANCIAL RISK MANAGEMENT

Exposure to financial risks on the financial instruments of the Company comprises credit risk on credit period offered to its trade debtors and advances to other debtors, liquidity risk on withdrawal or cutting of credit limit and credit period offered by trade creditors and bankers and market risk on the changes in fair value or future cash flows of financial instruments due to the fluctuation of market factors such as exchange rates, interest rates and market prices.

Credit risk

The Company's major source of credit risk comes from its trade receivables. The trade receivables have normal credit periods ranged from 30 to 90 days. The payment terms of certain other receivable are fixed whereas the others are payable on demand. The following table provides an ageing analysis of the trade, bills and other receivables.

	<u>Trade receivables</u>
	\$
2022	
Within three months	17,441,577
Three to six months	3,348,874
Six months to more than twelve months	4,518,961
	<u>25,309,412</u>
2021	
Within three months	44,410,782
Three to six months	8,116,192
Six months to more than twelve months	2,604,284
	<u>55,131,258</u>

Objective, policy and processes

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all parties requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. At the end of reporting period, there were no material credit risks. The maximum exposure to credit risk represents the carrying amount of each financial asset on that date. The Company does not change the exposure and policy from the preceding year.

Credit risk management practices

The directors determine concentration of credit risk based on the size of jobs, credit limit and credit terms. In the opinion of the directors, the concentration of credit risk is relatively low. No single customer or a group of customers contribute more than 10% (2021: no more than 10%) of the turnover. Nevertheless, the directors still review the aged receivable on regular basis in order to avoid apparent concentration of credit risk.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Company's major sources of liquidity risk come from its bank overdrafts and trade and other payables. The following table depicts the recognised financial liabilities together with their maximum liabilities.

	Recognised		Maximum liabilities	
	2022	2021	2022	2021
	\$	\$	\$	\$
Bank overdrafts	1,850,779	5,229,567	1,850,779	5,229,567
Trade and other payables	140,654,209	160,538,652	140,654,209	160,538,652
Lease liabilities	3,840,996	-	3,840,996	-
Provision for long service payment	430,000	430,000	430,000	430,000
	<u>146,775,984</u>	<u>166,198,219</u>	<u>146,775,984</u>	<u>166,198,219</u>

Objective, policy and processes

It is the Company's policy to maximize the credit period provided by trade creditors but not overdue the payment of trade debts. The Company has maintained good relationship with its employees, suppliers and bankers. The directors expect that the major bankers and suppliers would not withdraw or cut credit limit and credit period in the foreseeable future.

If necessary, the directors may raise additional funds from its immediate holding company for long term investments. The directors regard that the liquidity risk is controlled at optimal level. The Company does not change the exposure to liquidity risk and policy from preceding year.

Concentration of liquidity risk

In the opinion of the Directors, there has no significant concentration of liquidity risk.

Maturity analysis of financial liabilities

	2022	2021
	\$	\$
<u>Bank overdraft</u>		
Repayable on demand	<u>1,850,779</u>	<u>5,229,567</u>
<u>Trade and other payables</u>		
Within three months	5,053,746	4,649,200
Three to six months	16,359	157,034
Six months to more than twelve months	429,197	97,649
	<u>5,499,302</u>	<u>4,903,883</u>
Total	<u>7,350,081</u>	<u>10,133,450</u>

The maturity analysis of lease liabilities is set out in note 11 to financial statements.

The Company did not have derivative financial liabilities at the end of reporting period (2021: Same). Accordingly, it provides no maturity analysis for derivative financial liabilities.

The Company maintains rolling cash flow forecasts for the current month, next three months, next six months and next twelve months. The Directors closely monitor the rolling cash flow forecasts and discuss the financing policies and procedures on a regular basis.

ECU WORLDWIDE (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

The Company's major sources of market risk come from currency risks and interest rate risk. The Company's exposures to each of these risks and its objectives, policies and processes for managing the risks and methods used to measure the risks are set out below.

Currency risk

The major source of currency risk comes from current financial assets and liabilities are denominated in foreign currencies. It is the objective of the Company to control the currency risk at acceptable level. The directors are responsible to monitor the foreign currency exchange rates on an ongoing basis and advise suitable procedures to minimize foreseeable currency risk.

The following table details the Company's exposure at the end of reporting period to currency risk arising from recognised financial assets and liabilities denominated in foreign currencies. For presentation purposes, the amounts of the exposure are shown in presentation currency, translated using spot rate at the end of reporting period. Differences resulting from the translation of financial statements of foreign operations and hedging instruments are excluded.

	Exchange rates		Expressed in presentation currency	
	2022	2021	2022	2021
Current financial assets <u>denominated in foreign currency</u>			\$	\$
United States Dollars	7.7999	7.7989	121,307,288	129,816,333
Euro Dollars	8.0869	8.8428	3,194	3,493
			<u>121,310,482</u>	<u>129,819,826</u>
	Exchange rates		Expressed in presentation currency	
	2022	2021	2022	2021
Current financial liabilities <u>denominated in foreign currency</u>			\$	\$
United States Dollars	7.7999	7.7989	122,427,987	137,012,871
Euro Dollars	8.0869	8.8428	6,004,102	2,256,934
			<u>128,432,089</u>	<u>139,269,805</u>

As presented above, certain financial assets are denominated in relatively stable currency such as United States dollar. As exchange rate of this currency to the presentation currency is relatively stable, the Company does not monitor its exchange rate frequently. However, the management will keep monitoring the financial policies of the U.S. Government, in particular the movement trend of interest rate, in order to react the possible exchange fluctuation expeditiously.

ECU WORLDWIDE (HONG KONG) LIMITED

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(Expressed in Hong Kong Dollars)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Sensitivity analysis

At the end of reporting period, had the functional currency been strengthened by 1% against the following foreign currencies with all other variables held constant, the profit before tax for the year would decrease by the amounts mentioned below.

	2022	2021
	\$	\$
United States Dollars	(11,207)	(71,965)
Euro Dollars	(60,009)	(22,534)
	<u>(71,216)</u>	<u>(94,499)</u>

Interest rate risk

The major source of interest rate risk come from interest bearing bank overdraft at floating interest rates. As the company is fully supported by its immediate holding company, exposure to bank overdraft is regarded as minimal. In the opinion of directors, the Company does not have significant cash flow interest rate risk.

23. FINANCIAL INSTRUMENTS BY CATEGORY

	2022	2021
	\$	\$
Financial assets		
Loans and receivables		
Trade and other receivables	156,158,552	167,718,498
Cash and bank balances	286,605	1,425,816
	<u>156,445,157</u>	<u>169,144,314</u>
Financial liabilities		
Bank overdraft	1,850,779	5,229,567
Lease liabilities	3,840,996	-
Trade and other payables	140,654,209	160,538,652
Provision for long service payment	430,000	430,000
	<u>146,775,984</u>	<u>166,198,219</u>

24. RELATED PARTY DISCLOSURES

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company had the following material related party transactions during the year.

24.1 Key management personnel remuneration:

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	2022	2021
	\$	\$
Short-term employee benefits	<u>5,912,892</u>	<u>5,505,419</u>

Total remuneration is included in "staff costs".

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NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong Dollars)

24. RELATED PARTY DISCLOSURES (CONTINUED)

24.2 Related party transactions:

	2022	2021
	\$	\$
<u>Immediate holding company</u>		
Freightage income	1,027,547	2,773,475
Freightage and transportation charge paid	7,291,141	6,878,357
Management fee	4,014,186	3,167,705
<u>Subsidiary</u>		
Freightage income	38,217,825	16,980,337
Freightage and transportation charges paid	8,249,082	8,310,788
<u>Fellow subsidiaries</u>		
Freightage income	106,460,642	163,770,993
Freightage and transportation charges paid	52,402,584	26,862,503

24.3 Year-end balances:

	2022	2021
	\$	\$
<u>Immediate holding company</u>		
Trade and other receivables	129,175,466	108,325,820
Trade payables	9,492	268,587
<u>Subsidiary</u>		
Trade and other receivables	2,733,451	5,056,160
Trade and other payables	121,970,061	129,708,862
<u>Fellow subsidiaries</u>		
Trade receivables	14,180,473	35,587,336
Trade payables	1,301,071	1,332,338

The amounts due from / (to) related parties are unsecured, interest-free and have no fixed repayment terms.

25. APPROVAL AND ISSUE OF FINANCIAL STATEMENTS

The financial statements was approved and authorised for issue by the Company's Board of Directors on 18th April, 2023.

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