

DRAFT

ECU INTERNATIONAL FAR EAST LIMITED

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020**

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REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of ECU INTERNATIONAL FAR EAST LIMITED (the "Company") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are acting as freight forwarder agent and investment holding. There are no significant changes compared with the activities conducted in previous year.

FINANCIAL STATEMENTS

The result of the Company for the year ended 31 December 2020 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 (2019: Nil).

SHARE CAPITAL

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that have, will or may result in the Company issuing shares or that require the Company to enter into any agreements that have, will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at 31 December 2020.

DIRECTORS

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

WONG Sau Lan, Becky
MOHAMEDHUSEIN Saleem Mohamed Nazir
Udaya Kumar

In accordance with the Company's Articles of Association, all existing directors shall remain in office.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS (Continued)

REPORTING EXEMPTION

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

AUDITOR

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

On behalf of the Board

WONG Sau Lan, Becky
Chairman

Hong Kong, < date of approval >

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF ECU INTERNATIONAL FAR EAST LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of ECU INTERNATIONAL FAR EAST LIMITED (the "Company") set out on pages 6 to 37, which comprise the statement of financial position as at 31 December 2020, 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SOLE MEMBER OF ECU INTERNATIONAL FAR EAST LIMITED

(Incorporated in Hong Kong with limited liability)

DRAFT

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.

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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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TO THE SOLE MEMBER OF ECU INTERNATIONAL FAR EAST LIMITED

(Incorporated in Hong Kong with limited liability)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

CHENG & CHENG LIMITED
Certified Public Accountants

Hong Kong, < date of approval >

Cheng Hong Cheung
Practising Certificate number P01802

ECU INTERNATIONAL FAR EAST LIMITED

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 HK\$	2019 HK\$
Non-current assets			
Plant and equipment	3	43,039	69,938
Right-of-use assets	4	482,232	895,573
Interests in subsidiaries	5	68	68
Interests in associates	6	3,704,994	3,704,994
Non-current portion of other receivables	7	376,405	-
		<u>4,606,738</u>	<u>4,670,573</u>
Current assets			
Deposits, prepayment and other receivables	7	65,330	519,638
Amount due from an immediate holding company	16	18,206,100	4,600,921
Amounts due from subsidiaries	16	-	935,107
Amounts due from fellow subsidiaries	16	3,079,400	13,998,085
Tax recoverable		122,601	122,601
Cash at bank and on hand		166,536	168,981
		<u>21,639,967</u>	<u>20,345,333</u>
Current liabilities			
Accruals and other payables	20	194,806	676,684
Amount due to the ultimate holding company	16	-	927,206
Amounts due to a subsidiary	16	68	-
Amounts due to fellow subsidiaries	16	4,332,470	5,357,556
Lease liabilities	9	484,660	458,259
		<u>5,012,004</u>	<u>7,419,705</u>
Net current assets		<u>16,627,963</u>	<u>12,925,628</u>
Total assets less current liabilities		<u>21,234,701</u>	<u>17,596,201</u>

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

ECU INTERNATIONAL FAR EAST LIMITED*DRAFT***STATEMENT OF FINANCIAL POSITION (Continued)**

As at 31 December 2020

	Note	2020 HK\$	2019 HK\$
Capital and reserves			
Share capital	10	10,000	10,000
Reserves	10	<u>21,219,076</u>	<u>17,095,916</u>
		21,229,076	17,105,916
Non-current liabilities			
Lease liabilities	9	<u>5,625</u>	<u>490,285</u>
		<u>21,234,701</u>	<u>17,596,201</u>

Signed on behalf of the Board of Directors by:-

WONG Sau Lan, Becky
Director

MOHAMEDHUSEIN Saleem Mohamed Nazir
Director

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

ECU INTERNATIONAL FAR EAST LIMITED

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**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	Note	2020 HK\$	2019 HK\$
Revenue	11	5,281,543	4,184,219
Other income	12	3,834,415	2,551,981
Administrative and other operating expenses		(4,567,067)	(5,015,860)
Other net loss	12	(359,548)	(1,887,798)
Impairment losses under ECL model, net of reversal	12	-	(4,072)
Finance costs	13	(66,183)	(93,635)
Profit/(Loss) before taxation	14	4,123,160	(265,165)
Income tax	15	-	-
Profit/(Loss) for the year		<u>4,123,160</u>	<u>(265,165)</u>

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

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

ECU INTERNATIONAL FAR EAST LIMITED*DRAFT***STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2020

	Share capital HK\$	Retained profits HK\$	Total HK\$
Balance at 1 January 2019	10,000	17,361,081	17,371,081
Loss for the year	-	(265,165)	(265,165)
Balance at 31 December 2019 and 1 January 2020	10,000	17,095,916	17,105,916
Profit for the year	-	4,123,160	4,123,160
Balance at 31 December 2020	10,000	21,219,076	21,229,076

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

ECU INTERNATIONAL FAR EAST LIMITED

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK\$	2019 HK\$
Operating activities			
Profit/(Loss) before taxation		4,123,160	(265,165)
Adjustments for:			
Dividend income		(3,674,837)	(2,473,246)
Depreciation of owned assets		26,899	45,725
Depreciation of right-of-use assets		413,341	378,896
Impairment losses provided on:			
- amount due from a subsidiary		-	4,072
Impairment losses provided on interest in a subsidiary		-	257,930
Written off of interest in a subsidiary		-	1,576,050
Interest income		(77,864)	(78,672)
Interest on lease liabilities		66,183	93,635
Operating profit/(loss) before working capital changes		876,882	(460,775)
Decrease/(Increase) in deposits, prepayment and other receivables		77,903	(257,900)
Decrease in accruals and other payables		(481,878)	(81,514)
Cash generated from/(used in) operations		472,907	(800,189)
Interest received		266	330
Tax paid		-	(11,076)
Net cash from/(used in) operating activities		473,173	(810,935)
Net cash from investing activities	17	2,001,048	1,292,742
Net cash used in financing activities	18	(2,476,666)	(513,158)
Decrease in cash and cash equivalents		(2,445)	(31,351)
Cash and cash equivalents at the beginning of the year		168,981	200,332
Cash and cash equivalents at the end of the year	19	166,536	168,981

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE INFORMATION

ECU INTERNATIONAL FAR EAST LIMITED (the "Company") is a limited liability company incorporated in Hong Kong and has its registered office at 10/F., Pacific Plaza, 410 Des Voeux Road West, Hong Kong. Its principal places of business are 10/F., Pacific Plaza, 410 Des Voeux Road West, Hong Kong and Unit 1001, Insular Life Cebu Business Centre, Mindanao Ave. cor. Biliran Road, Cebu Business Park, Cebu City, Philippines.

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

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance (Cap. 622), 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 all applicable Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622) that are relevant to the preparation of company level financial statements by an intermediate parent company.

As the Company is a wholly owned subsidiary of another body corporate at the end of the financial year, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance (Cap. 622), 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.

A summary of the significant accounting policies adopted by the Company in preparation of these financial statements is set out 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. There is no significant impact to the Company from initial application of these new and revised HKFRSs for the current and prior accounting periods. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

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

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

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

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

(c) SUBSIDIARIES

Subsidiaries are entities 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 Company has power, only substantive rights (held by the Company and other parties) are considered.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) ASSOCIATES

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(h)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(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.

Receivables

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

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

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

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:-

- Furniture and equipment	20% - 50%
- Office equipment	20% - 50%

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

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

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease components and non-lease components, the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company are primarily laptops and office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the relevant lease terms by straight line basis.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(g) LEASED ASSETS (Continued)****As a lessee (Continued)**

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. 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 other receivables).

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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

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

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

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;
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognized in accordance with note 2(t)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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[, lease receivable or contract asset]is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

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

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognized no longer exists or may have decreased:

- plant and equipment, including right-of-use assets (other than properties carried at revalued amounts); and
- investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(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. 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.

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.

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

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

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

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

(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 services in the ordinary course of the Company's business.

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

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

(i) Rendering of services

The Company is a freight forwarder agent specializes in providing business process outsourcing ("BPO") services. The Company has assisted its customers to set-up BPO, collects money and pays to BPO in Cebu for its day to day activities. The BPO caters to the operational and accounting activities of its customer. Management fee income from service agreement sets at an agreed amount, fees earned from services are provided over a period of time and fixed amount is billed by the Company for each month of service provided.

(ii) Dividend income

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)**(m) REVENUE AND OTHER INCOME (Continued)****(iii) Interest income**

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

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

(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 different from the functional currency, United States Dollars ("US\$") on the grounds that the directors considered that it is more appropriate to use Hong Kong Dollars as 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

2. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) RELATED PARTIES (Continued)

- (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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. PLANT AND EQUIPMENT

	Furniture and equipment HK\$	Office equipment HK\$	Total HK\$
Cost			
At 1 January 2019	309,289	4,259,664	4,568,953
Additions	69,364	23,258	92,622
At 31 December 2019, 1 January 2020 and 31 December 2020	378,653	4,282,922	4,661,575
Deduct: Accumulated depreciation			
At 1 January 2019	295,538	4,250,374	4,545,912
Charged for the year	20,034	25,691	45,725
At 31 December 2019 and 1 January 2020	315,572	4,276,065	4,591,637
Charged for the year	20,042	6,857	26,899
At 31 December 2020	335,614	4,282,922	4,618,536
Net book value			
At 31 December 2020	43,039	-	43,039
At 31 December 2019	63,081	6,857	69,938

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. RIGHT-OF-USE ASSETS

	2020 HK\$	2019 HK\$
Cost		
At the beginning of the year	1,274,469	-
Additions	-	1,274,469
At the end of the year	1,274,469	1,274,469
Deduct: Accumulated depreciation		
At the beginning of the year	378,896	-
Charged for the year	413,341	378,896
At the end of the year	792,237	378,896
Net book value		
At the end of the year	482,232	895,573

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2020 HK\$	2019 HK\$
Properties leased for own use, carried at cost less accumulated depreciation	482,232	895,573

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	2020 HK\$	2019 HK\$
Depreciation of right-of-use assets by class of underlying asset:		
Properties leased for own use	413,341	378,896

Interest on lease liabilities
Lease expenses relating to short-term leases
Additions to right-of-use assets

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 9.

ECU INTERNATIONAL FAR EAST LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

5. INTERESTS IN SUBSIDIARIES

	2020 HK\$	2019 HK\$
Unlisted shares, at cost	68	257,998
Accumulated impairment losses	-	(257,930)
	<u>68</u>	<u>68</u>

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Company. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Company's effective interest	Held by the Company	
ECU WORLD-WIDE LANKA (PRIVATE) LIMITED	Sri Lanka	LKR1,000	100%	100%	Freight forwarder agent
PT Ecu Worldwide Indonesia	Indonesia	IDR 300,000,000	100%	100%	Liquidation in year 2019

6. INTERESTS IN AN ASSOCIATE

	2020 HK\$	2019 HK\$
Unlisted shares, at cost	<u>3,704,994</u>	<u>3,704,994</u>

The following list contains the particulars of an associate which is unlisted corporate entity whose quoted market price is not available:

Name of associate	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Company's effective interest	Held by the Company	
ECU Worldwide Egypt Limited	Egypt	EGP100,000	45%	45%	Provision of maritime consolidation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

7. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2020 HK\$	2019 HK\$
Deposits and prepayments	441,735	463,948
Other receivables	-	55,690
	441,735	519,638
Deduct: Non-current portion	376,405	-
Current portion	65,330	519,638

8. REMUNERATION, BENEFITS AND INTERESTS OF DIRECTORS

Directors' remuneration, benefits and interests disclosed pursuant to section 383 of the Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) for the year is "Nil" (2019: Nil).

9. LEASES LIABILITIES

The following table shows the remaining contractual maturities of the Company's lease liabilities at the end of the reporting periods:

	Minimum lease payments		Present value of minimum lease payments	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Within 1 year	507,263	524,442	484,660	458,259
After 1 year but within 2 years	5,688	507,263	5,625	484,660
After 2 years but within 5 years	-	5,688	-	5,625
	512,951	1,037,393	490,285	948,544
Deduct: Total future interest expenses	(22,666)	(88,849)		
Present value of lease liabilities	490,285	948,544		
Deduct: Portion classified under current liabilities			(484,660)	(458,259)
Non-current portion			5,625	490,285

Total cash outflow for leases

Amounts included in the statement of cash flows for leases comprise the following:

	2020 HK\$	2019 HK\$
Within financing cash flows	(524,442)	(419,560)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

9. LEASES LIABILITIES (Continued)

These amounts relate to the following:

	2020	2019
	HK\$	HK\$
Lease rentals paid	(524,442)	(419,560)

10. CAPITAL AND RESERVES**Share Capital**

	2020		2019	
	No. of shares	HK\$	No. of shares	HK\$
Ordinary shares, issued and fully paid				
At the beginning and end of the year	10,000	10,000	10,000	10,000

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

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

Reserves

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

Retained profits

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

11. REVENUE

The Company is principally engaged in acting as forwarder freight agent. An analysis of revenue of the Company is as follows:-

Disaggregation of revenue

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

	2020 HK\$	2019 HK\$
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service line		
Management fee income	5,281,543	4,184,219
Disaggregated by timing of revenue recognition		
Over time	5,281,543	4,184,219

12. OTHER INCOME, NET LOSS AND IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2020 HK\$	2019 HK\$
<u>Other income</u>		
Interest income from financial assets measured at amortized cost	77,864	78,672
Dividend income from		
- investments held at the end of the reporting period	3,674,837	2,473,246
Sundry income	81,714	63
	3,834,415	2,551,981
<u>Other net loss</u>		
Exchange losses	(359,548)	(53,818)
Impairment losses provided on interest in a subsidiary	-	(257,930)
Written off of interest in a subsidiary	-	(1,576,050)
	(359,548)	(1,887,798)
<u>Impairment losses under ECL model, net of reversal</u>		
Impairment losses provided on:		
- amount due from a subsidiary	-	(4,072)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

13. FINANCE COSTS

	2020	2019
	HK\$	HK\$
Interest on lease liabilities	66,183	93,635

14. PROFIT/(LOSS) BEFORE TAXATION

	2020	2019
	HK\$	HK\$
Profit/(Loss) before taxation is stated after charging:		
Auditor's remuneration	60,000	70,000
Depreciation of owned assets	26,899	45,725
Depreciation of right-of-use assets	413,341	378,896
Employee benefits:		
Salaries, wages and other benefits	2,752,056	2,752,000

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 (2019: Nil).

No provision for deferred taxation has been made as the deferred tax assets were not expected to be recognized in the foreseeable future (2019: Nil).

At the end of the reporting period, the Company has unused tax losses of HK\$1,097,618 (2019: HK\$1,927,638) 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:-

	2020	2019
	HK\$	HK\$
Profit/(loss) before taxation	4,123,160	(265,165)
Notional tax at the domestic income tax rate of 16.5% (2019: 16.5%)	680,321	(43,752)
Tax effect of non-deductible expenses	79,262	318,996
Tax effect of non-taxable revenue	(606,392)	(414,490)
Tax effect of unrecognized temporary differences	(14,588)	(15,219)
Tax effect of unused tax losses not recognized	.	154,465
Tax effect of setting off of prior years' tax losses against current tax	(138,603)	-
Income tax expense for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

16. RELATED PARTY DISCLOSURES

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

(a) Financing arrangements

	Note	Owed to/(by) the Company by/(to) related parties		Related interest income	
		As at 31 December		Year ended 31 December	
		2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Amount due from the immediate holding company	(i), (ii)	18,206,100	4,600,921	-	-
Amounts due from subsidiaries	(i), (ii)	-	935,107	-	-
Amounts due from fellow subsidiaries	(ii), (iii)	3,079,400	13,998,085	77,598	78,342
Amount due to the ultimate holding company	(i)	-	(927,206)	-	-
Amounts due to a subsidiary	(i)	(68)	-	-	-
Amounts due to fellow subsidiaries	(i)	(4,332,470)	(5,357,556)	-	-

- (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 unsecured, interest free and had no fixed repayment terms, except for the amount of HK\$1,560,000 (2019: HK\$1,560,000) was charged at 5% (2019: 5%) in respect of current year and previous year.

(b) Other related party transactions

	Note	Year ended 31 December	
		2020 HK\$	2019 HK\$
Management fee income from a fellow subsidiary	(i)	5,281,543	4,184,219

- (i) Management fee income from a fellow subsidiary was charged at a negotiated value. No significant balance was carried forward at the end of the reporting period in respect of the current year and previous year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

17. INVESTING ACTIVITIES

	2020 HK\$	2019 HK\$
Purchase of plant and equipment	-	(92,622)
Net movement of amount due from an immediate holding company	(13,605,179)	(1,299,699)
Net movement of amount due from subsidiaries	935,107	-
Net movement of amount due from fellow subsidiaries	10,918,685	133,475
Interest received	77,598	78,342
Dividends received	3,674,837	2,473,246
Net cash from investing activities	2,001,048	1,292,742

18. FINANCING ACTIVITIES

	2020 HK\$	2019 HK\$
Net movements of amount due to the ultimate holding company	(927,206)	(11,336)
Net movements of amounts due to a subsidiary	68	-
Net movements of amounts due to fellow subsidiaries	(1,025,086)	(82,262)
Repayment of lease liabilities	(458,259)	(325,925)
Interest paid	(66,183)	(93,635)
Net cash used in financing activities	(2,476,666)	(513,158)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

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 the ultimate holding company HK\$	Amount due to a subsidiary HK\$	Amount due to fellow subsidiaries HK\$	Lease liabilities HK\$	Total HK\$
At 31 December 2019	927,206	-	5,357,556	948,544	7,233,306
Changes from financing cash flows:					
Net movements of amount due to the ultimate holding company	(927,206)	-	-	-	(927,206)
Net movements of amount due to a subsidiary	-	68	-		68
Net movements of amount due to fellow subsidiaries	-	-	(1,025,086)	-	(1,025,086)
Lease payments	-	-	-	(458,259)	(458,259)
Interest on lease liabilities	-	-	-	(66,183)	(66,183)
Total changes from financing cash flows	(927,206)	68	(1,025,086)	(524,442)	(2,476,666)
Other changes:					
Interest on lease liabilities	-	-	-	66,183	66,183
At 31 December 2020	-	68	4,332,470	490,285	4,822,823

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

18. FINANCING ACTIVITIES (Continued)**Reconciliation of liabilities arising from financing activities (Continued)**

	Amount due to the ultimate holding company HK\$	Amount due to fellow subsidiaries HK\$	Lease liabilities HK\$	Total HK\$
At 1 January 2019	938,542	5,439,818	-	6,378,360
Changes from financing cash flows:				
Net movements of amount due to the ultimate holding company	(11,336)	-	-	(11,336)
Net movements of amounts due to fellow subsidiaries	-	(82,262)	-	(82,262)
Lease liabilities repayment	-	-	(325,925)	(325,925)
Interest on lease liabilities	-	-	(93,635)	(93,635)
Total changes from financing cash flows	(11,336)	(82,262)	(419,560)	(513,158)
Other changes:				
New leases entered	-	-	1,274,469	1,274,469
Interest on lease liabilities	-	-	93,635	93,635
Total other changes	-	-	1,368,104	1,368,104
At 31 December 2019	927,206	5,357,556	948,544	7,233,306

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:-

	2020 HK\$	2019 HK\$
Cash at bank and on hand	166,536	168,981

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

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 the sole member.

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:-

	2020 HK\$	2019 HK\$
Current liabilities		
Amount due to the ultimate holding company	-	927,206
Amount due to a subsidiary	68	-
Amounts due to fellow subsidiaries	4,332,470	5,357,556
Accruals and sundry payables	194,806	676,684
Lease liabilities	484,660	458,259
	<u>5,625</u>	<u>490,285</u>
Non-current liabilities		
Lease liabilities	<u>5,625</u>	<u>490,285</u>

The Company is not subject to externally imposed capital requirements.

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

	2020 HK\$	2019 HK\$
<u>Financial assets</u>		
Amortized cost	<u>21,695,435</u>	<u>20,030,270</u>
<u>Financial liabilities</u>		
Amortized cost	<u>5,017,629</u>	<u>7,909,990</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

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

The Company's principal financial assets are bank deposits and amounts receivables. The credit risk on the liquid funds is limited because of the close involvement of management in overseeing the recovery of the assets.

The credit risk on bank deposits are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

There was no allowance for impairment made (2019: HK\$4,072) for other receivables since the directors of the Company considered the probability of default was minimal after assessing the counter-parties' financial background and creditability.

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

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

Interest rate risk

The Company has interest-bearing assets and liabilities in the form of cash and cash equivalent and bank loans. 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, United States 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 2019 and 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)For the year ended 31 December 2020

22. ACCOUNTING JUDGMENTS AND ESTIMATES

Critical accounting judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management has made the following accounting judgments:

Determining the lease term

As explained in policy note 2(g), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Company to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Company's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Company's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and a new standard which may be relevant to the Company but are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16, Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 17, Insurance Contracts and the related Amendments	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and a new standard which may be relevant to the Company but are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. (Continued)

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1, Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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.

24. ULTIMATE HOLDING COMPANY

The Company is controlled by its immediate holding company, ECUHOLD N.V., which is incorporated in Belgium. The ultimate holding company of the Company is Allcargo Logistics Limited, which is incorporated in India and produces consolidated financial statements available for public use.

25. COMPARATIVE FIGURES

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

26. APPROVAL OF FINANCIAL STATEMENTS

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