# ECU WORLDWIDE (HONG KONG) LIMITED

## REPORTING DOCUMENTS

### FOR THE YEAR ENDED 31ST DECEMBER, 2020

友聯會計師行有限公司
UNION LINK CPA LIMITED
Certified Public Accountants

# 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, 2020.

**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

Manish GOGIA

LAM Pun Lai Bonny

WONG Sau Lan Becky

**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.

**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.

ECU WORLDWIDE (HONG KONG) LIMITED

DIRECTORS' REPORT

**RECOMMENDED DIVIDENDS**

The directors recommend the payment of interim dividends of HK$10.062 per share on 12th March, 2020 and HK$2.86 per share on 28th December, 2020, totaling HK$19,383,000 (2019: HK$21,273,100) 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

Udaya Kumar
Chairman
Hong Kong, 3rd May, 2021

友聯會計師行有限公司
UNION LINK CPA LIMITED
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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 31, which comprise the statement of financial position as at 31st December, 2020, 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, 2020, 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.

## 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.

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ECU WORLDWIDE (HONG KONG) LIMITED

INDEPENDENT AUDITOR'S REPORT

**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 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.

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, 3rd May, 2021

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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, 2020

(Expressed in Hong Kong Dollars)

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Revenue | 4 | 155,799,927 | 139,287,071 |
| Cost of sales | | (122,501,836) | (107,772,417) |
| Gross profit | | 33,298,091 | 31,514,654 |
| Other revenue and income | 5 | 20,217,026 | 16,088,702 |
| Administrative expenses | | (25,304,477) | (23,615,948) |
| Other operating expenses | | (4,597,713) | (4,362,155) |
| Operating profit | | 23,612,927 | 19,625,253 |
| Finance costs | 6 | (73,350) | (142,446) |
| Profit before tax | 7 | 23,539,577 | 19,482,807 |
| Income tax expense | 10 | (571,978) | (540,365) |
| Profit for the year | | 22,967,599 | 18,942,442 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 22,967,599 | 18,942,442 |

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, 2020

(Expressed in Hong Kong Dollars)

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 229,424 | 618,343 |
| Right-of-use assets | 12 | 3,766 | 1,381,361 |
| Investment in a subsidiary | 13 | 11,390,000 | 11,390,000 |
| | | 11,623,190 | 13,389,704 |
| **Current assets** | | | |
| Trade and other receivables | 15 | 31,450,784 | 48,798,078 |
| Income tax repayable | 16 | - | 306,761 |
| Cash and cash equivalents | 17 | 650,076 | 334,189 |
| | | 32,100,860 | 49,439,028 |
| **Current liabilities** | | | |
| Bank overdraft | 17 | 3,328,150 | 2,817,079 |
| Lease liabilities | 12 | 3,794 | 1,413,897 |
| Trade and other payables | 18 | 36,079,298 | 57,881,160 |
| Income tax payable | 16 | 11,613 | - |
| Provision for long service payment | 19 | 430,000 | 430,000 |
| | | 39,852,855 | 62,542,136 |
| **Net current liabilities** | | (7,751,995) | (13,103,108) |
| **NET ASSETS** | | 3,871,195 | 286,596 |
| **Equity** | | | |
| Share capital | 20 | 1,500,000 | 1,500,000 |
| Retained earning / (Accumulated loss) | | 2,371,195 | (1,213,404) |
| | | 3,871,195 | 286,596 |

Approved on behalf of the Board of Directors

Udaya Kumar
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, 2020

(Expressed in Hong Kong Dollars)

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Share capital** | | |
| Balance at beginning and end of the year | 1,500,000 | 1,500,000 |
| **Retained earnings** | | |
| Balance at beginning of the year | (1,213,404) | 1,117,254 |
| Total comprehensive income for the year | 22,967,599 | 18,942,442 |
| Dividends paid | | |
| (1st interim dividend of $10.062 (2019: $10.3445) per share) | 15,093,000 | 15,516,700 |
| (2nd interim dividend of $2.86 (2019: $0.7176) per share) | 4,290,000 | 1,076,400 |
| (3rd interim dividend of Nil (2019: $3.12) per share) | - | 4,680,000 |
| | (19,383,000) | (21,273,100) |
| Balance at end of the year | 2,371,195 | (1,213,404) |
| **Total equity** | 3,871,195 | 286,596 |

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, 2020

(Expressed in Hong Kong Dollars)

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Profit before tax | | 23,539,577 | 19,482,807 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 585,573 | 542,757 |
| Depreciation of right-of-use assets | | 1,377,595 | 1,373,831 |
| Dividend income | | (17,120,825) | (15,516,700) |
| Interest income | | (1,284) | (1,390) |
| **Operating profit before working capital changes** | | 8,380,636 | 5,881,305 |
| Changes in trade and other receivables | | 17,347,294 | 9,476,917 |
| Changes in trade and other payables | | (21,801,862) | (9,201,243) |
| **Cash generated from operations** | | 3,926,068 | 6,156,979 |
| Interest received | | 1,284 | 1,390 |
| Income tax paid | | (253,604) | (1,087,527) |
| Net cash generated from operating activities | | 3,673,748 | 5,070,842 |
| **Cash flows from investing activities** | | | |
| Dividend received | | 17,120,825 | 15,516,700 |
| Purchase of property, plant and equipment | | (196,654) | (77,683) |
| Net cash generated from investing activities | | 16,924,171 | 15,439,017 |
| **Cash flows from financing activities** | | | |
| Capital element of lease rental paid | | (1,410,103) | (1,341,295) |
| Dividends paid | | (19,383,000) | (21,273,100) |
| Net cash used in financing activities | | (20,793,103) | (22,614,395) |
| **Net changes in cash and cash equivalents** | | (195,184) | (2,104,536) |
| Cash and cash equivalents at beginning of the year | | (2,482,890) | (378,354) |
| **Cash and cash equivalents at end of the year** | 17 | (2,678,074) | (2,482,890) |

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.

### 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.

(Expressed in Hong Kong Dollars)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation of the financial statements (continued)

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 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: *Business Combinations: Definition of a Business*

Amendments to HKAS 1 and HKAS 8 : *Presentation of Financial Statements and Accounting Polices, Change in Accounting Estimates and Errors: Definition of Material*

Amendments to HKFRS 16: *Leases: Covid-19-Related Rent Concessions*

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

2.4 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** |
|---|---|
| Amendments to HKFRS 3, *Business Combinations: Reference to the Conceptual Framework* | 1st January, 2022 |
| Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use* | 1st January, 2022 |
| Amendments to HKAS 37, *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract* | 1st January, 2022 |
| Annual Improvements to HKFRSs 2018-2020 Cycle | 1st January, 2022 |
| Amendments to HKAS 1, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* | 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.5 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.

### 2.6 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.

### 2.7 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 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.8 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.

### 2.9 Leases

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.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based in their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amount expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also include in the measurement of the liability.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.9 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate the Company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and

- Make adjustments specific to the lease (e.g. term, country, currency and security)

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use assets is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all lease of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.10 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 of 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.

2.11 Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Company recognises a loss allowance for expected credit losses ("ECLs") on the following terms:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates)
- contract assets as defined in HKFRS 15

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI(non-recycling) and derivative financial assets, are not subject to the ECL assessment.

**Measurement of ECLs**

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation.

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

In measuring ECLs, the Company take 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.11 Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

**Measurement of ECLs (Continued)**

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

**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 debtor 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 assets is 90 days past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.11 Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

**Significant increases in credit risk (Continued)**

At each reporting date, the Company assess 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.

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 debtor will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

**Write-off policy**

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

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

(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 or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts)
- investment in subsidiaries in the Company's statement of financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.11 Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

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 of disposal 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).

An impairment loss is recognised 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 recognised 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 of disposal (if measurable), or value in use (if determinable).

- Reversal 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. An impairment loss in respect of goodwill is not reversed.

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

2.12 Contract assets and contract liabilities

A contract asset is recognised when the Company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECLs") in accordance with the policy set out in note 2.11(i) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Company recognises the related revenue. A contract liability would also be recognised if the Company has an unconditional right to receive non-refundable consideration before the Company recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract assets or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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 are liable 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.18 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. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency and interest rate 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 risk are described below.

(a) Credit risk

The Company's major source of credit risk comes from its trade and other receivables. The trade receivables have normal credit periods for 90 days. Except for trade receivable, the Company's other current assets are mainly attributable to receivable from its subsidiary, immediate holding company and fellow subsidiaries. The Director expects the credit risk from the inter-group receivable balances are very low.

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 the reporting period, there were no material credit risks. The maximum exposure to credit risk represents the carrying amount of each financial assets on that date. The Company does not change the exposure and policy from preceding year.

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% (2019: 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.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to trade and other receivables and contract assets. The Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions, for which the Company considers to have low credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position, without taking into account the value of any collateral or other security obtained.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade and other receivables are set out in note 15.

(b) Liquidity risk

The Company's major sources of liquidity risk come from its bank overdrafts and trade and other payables.

It is the Company's policy to maximise 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.

(c) Currency risk

The major source of currency risk comes from current financial assets and liabilities 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 minimise foreseeable currency risk.

The Company's transactions were majorly denominated in United States Dollar, in the opinion of directors, the exposure to foreign currency risk is considered to be low since there was a linked exchange rate system between Hong Kong Dollar and United States Dollar.

(d) 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.

4. REVENUE

Revenue represents freightage income.

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(Expressed in Hong Kong Dollars)

## 5. OTHER REVENUE AND INCOME

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Bank interest income | 1,284 | 1,390 |
| Dividend income | 17,120,825 | 15,516,700 |
| Exchange gain | - | 29,300 |
| ESS subsidy | 2,691,000 | - |
| Reversal of provision for impairment loss for trade receivables | 193,000 | 423,599 |
| Sundry income | 210,917 | 117,713 |
| | 20,217,026 | 16,088,702 |

## 6. FINANCE COSTS

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Bank overdraft interest | 817 | 1,105 |
| Interest on lease liabilities | 72,533 | 141,341 |
| | 73,350 | 142,446 |

## 7. PROFIT BEFORE TAX

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

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Bad debts written off | | 595,779 | 45,898 |
| Depreciation: | | | |
| - owned property, plant and equipment | | 585,573 | 542,757 |
| - right-of-use assets | | 1,377,595 | 1,373,831 |
| | | 1,963,168 | 1,916,588 |
| Dividend income | | (17,120,825) | (15,516,700) |
| ESS subsidy | | (2,691,000) | - |
| Exchange loss / (gain) | | 96,427 | (29,300) |
| Finance costs | 6 | 73,350 | 142,446 |
| Management fee | | 3,244,067 | 1,980,000 |
| Operating lease rentals | | 127,043 | 126,930 |
| Reversal of provision for impairment loss for trade receivables | | (193,000) | (423,599) |
| Staff costs: | | | |
| - fees, salaries and allowances | | 19,108,941 | 18,304,854 |
| - provident fund contribution | | 706,116 | 700,844 |
| | | 19,815,057 | 19,005,698 |

(Expressed in Hong Kong Dollars)

## 8. 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:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Fees | - | - |
| Other emoluments: | | |
| - salaries and allowances | 5,327,511 | 5,021,139 |
| - provident fund contribution | 114,813 | 115,217 |
| | 5,442,324 | 5,136,356 |

## 9. 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:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Auditor's remuneration | 82,000 | 82,000 |
| Auditor's expenses | 8,320 | 8,320 |
| | 90,320 | 90,320 |

## 10. INCOME TAX EXPENSE

10.1 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 2020/21 capped at $10,000.

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Tax charge for the year | 571,978 | 540,365 |

(Expressed in Hong Kong Dollars)

## 10. INCOME TAX EXPENSE (CONTINUED)

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

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Profit before tax | 23,539,577 | 19,482,807 |
| Tax at applicable tax rates | 3,719,030 | 3,049,663 |
| Tax effect of non-taxable income | (3,269,162) | (2,560,484) |
| Tax effect of non-deductible expenses | 81,926 | 27,491 |
| Tax effect of temporary differences not recognised | 50,184 | 43,695 |
| Tax reduction | (10,000) | (20,000) |
| Income tax expense | 571,978 | 540,365 |

10.3 No provision for deferred taxation has been made as there is no material temporary difference at the reporting date.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures | Office equipment | Total |
|---|---|---|---|
| | $ | $ | $ |
| Cost: | | | |
| At 1.1.2019 | 1,851,047 | 1,444,476 | 3,295,523 |
| Additions | - | 77,683 | 77,683 |
| Written off | - | (38,070) | (38,070) |
| At 31.12.2019 and 1.1.2020 | 1,851,047 | 1,484,089 | 3,335,136 |
| Additions | - | 196,654 | 196,654 |
| At 31.12.2020 | 1,851,047 | 1,680,743 | 3,531,790 |
| Accumulated depreciation and impairment: | | | |
| At 1.1.2019 | 866,757 | 1,345,349 | 2,212,106 |
| Charge for the year | 494,306 | 48,451 | 542,757 |
| Written back | - | (38,070) | (38,070) |
| At 31.12.2019 and 1.1.2020 | 1,361,063 | 1,355,730 | 2,716,793 |
| Charge for the year | 489,614 | 95,959 | 585,573 |
| At 31.12.2020 | 1,850,677 | 1,451,689 | 3,302,366 |
| Net carrying amount: | | | |
| At 31.12.2020 | 370 | 229,054 | 229,424 |
| At 31.12.2019 | 489,984 | 128,359 | 618,343 |

(Expressed in Hong Kong Dollars)

## 12. LEASES

### 12.1 Right-of-use assets

| | Leasehold land and building |
|---|---|
| | $ |
| Cost : | |
| At 1.1.2020 and at 31.12.2020 | 2,755,192 |
| Accumulated depreciation: | |
| At 1.1.2020 | 1,373,831 |
| Charge for the year | 1,377,595 |
| At 31.12.2020 | 2,751,426 |
| Net carrying amount: | |
| At 31.12.2020 | 3,766 |
| At 31.12.2019 | 1,381,361 |

### 12.2 Lease liabilities

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Current | 3,794 | 1,410,103 |
| Non-current | - | 3,794 |
| | 3,794 | 1,413,897 |

## 13. INVESTMENT IN A SUBSIDIARY

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Capital contribution, at cost | 11,390,000 | 11,390,000 |

Particulars of the subsidiary at 31st December, 2020 were as follows:

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

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(Expressed in Hong Kong Dollars)

## 14. CONTRACT ASSETS AND CONTRACT LIABILITIES

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Contract assets | | |
| Arising from performance under contracts | 2,704,706 | 1,434,863 |

The amount of contract assets that is expected to be recovered within one year.

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Contract liabilities | | |
| Billing in advance of performance under contracts | 1,873,944 | 1,291,255 |

Movement in contract liabilities

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Balance at 1st January | 1,291,255 | 1,234,227 |
| Decrease in contract liabilities as a result of recognising revenue during the year | (1,291,255) | (1,234,227) |
| Increase in contract liabilities as a result of billing in advance of performance under contracts | 1,873,944 | 1,291,255 |
| Balance at 31st December | 1,873,944 | 1,291,255 |

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.

## 15. TRADE AND OTHER RECEIVABLES

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Trade debtors | | 26,607,345 | 18,481,109 |
| Less: Provision for impairment loss | | (335,000) | (528,000) |
| | | 26,272,345 | 17,953,109 |
| Deposits and other receivables | | 531,924 | 687,924 |
| Contract assets | 14 | 2,704,706 | 1,434,863 |
| Prepayments | | 447,557 | 839,544 |
| Amount due from a subsidiary | | 279,707 | 280,965 |
| Amount due from an immediate holding company | | 1,214,545 | 27,601,673 |
| | | 31,450,784 | 48,798,078 |

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

(Expressed in Hong Kong Dollars)

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| At 1st January | 528,000 | 951,599 |
| Reversal of impairment loss | (193,000) | (423,599) |
| At 31st December | 335,000 | 528,000 |

At the end of the reporting period, the Company's trade debtors of $335,000 (2019: $528,000) 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:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Neither overdue nor impaired | 25,522,745 | 16,514,816 |
| 1-30 days overdue | 274,002 | 613,861 |
| 31-90 days overdue | 377,981 | 553,445 |
| More than 90 days overdue | 432,617 | 798,987 |
| | 1,084,600 | 1,966,293 |
| | 26,607,345 | 18,481,109 |

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.

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(Expressed in Hong Kong Dollars)

## 16. INCOME TAX REPAYABLE / PAYABLE

Income tax (repayable) / payable represents:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Provision for profits tax for the year | 571,978 | 540,365 |
| Provisional profits tax paid | (560,365) | (847,126) |
| | 11,613 | (306,761) |

## 17. CASH AND CASH EQUIVALENTS

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Cash and bank balances | 650,076 | 334,189 |
| Cash and cash equivalents reported in the statement of financial position | 650,076 | 334,189 |
| Bank overdraft | (3,328,150) | (2,817,079) |
| Cash and cash equivalents reported in the statement of cash flows | (2,678,074) | (2,482,890) |

## 18. TRADE AND OTHER PAYABLES

| | NOTE | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Amount due to a subsidiary | | 16,427,861 | 43,556,134 |
| Trade creditors | | 9,095,184 | 6,033,742 |
| Accruals and other payables | | 8,682,309 | 7,000,029 |
| Contract liabilities | 14 | 1,873,944 | 1,291,255 |
| | | 36,079,298 | 57,881,160 |

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

## 19. 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 (2019: $430,000) provision has been made for 20 (2019:22) 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.

(Expressed in Hong Kong Dollars)

## 20. SHARE CAPITAL

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| 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.

## 21. 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 2019 and 2020.

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

## 22. 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:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Not later than one year | 110,400 | 26,945 |
| Later than one year and not later than five years | 395,600 | - |
| | 506,000 | 26,945 |

## 23. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Financial assets | | |
| Loans and receivables | | |
| Trade and other receivables | 31,003,227 | 47,958,534 |
| Cash and bank balances | 650,076 | 334,189 |
| | 31,653,303 | 48,292,723 |
| Financial liabilities | | |
| Bank overdraft | 3,328,150 | 2,817,079 |
| Lease liabilities | 3,794 | 1,413,897 |
| Trade and other payables | 36,079,298 | 57,881,160 |
| Provision for long service payment | 430,000 | 430,000 |
| | 39,841,242 | 62,542,136 |

(Expressed in Hong Kong Dollars)

## 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 8, is as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 5,442,324 | 5,136,356 |

Total remuneration is included in "staff costs".

### 24.2 Related party transactions:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Immediate holding company | | |
| Freightage income | 880,845 | 888,502 |
| Freightage and transportation charge paid | 5,162,742 | 2,923,847 |
| Management fee | 3,244,067 | - |
| Subsidiary | | |
| Freightage income | 12,236,243 | 11,534,554 |
| Freightage and transportation charges paid | 7,525,144 | 5,885,675 |
| Fellow subsidiaries | | |
| Freightage income | 54,586,880 | 39,951,586 |
| Freightage and transportation charges paid | 21,978,392 | 20,702,274 |
| Management fee paid | - | 1,980,000 |

### 24.3 Year-end balances:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Immediate holding company | | |
| Trade and other receivables | 1,219,897 | 27,767,253 |
| Trade payables | 3,250,235 | 210,744 |
| Subsidiary | | |
| Trade and other receivables | 1,864,341 | 2,482,596 |
| Trade and other payables | 16,967,141 | 43,960,865 |
| Fellow subsidiaries | | |
| Trade receivables | 13,789,751 | 6,375,676 |
| Trade payables | 1,342,869 | 1,670,845 |

The balances due from / (to) related parties 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)

25. APPROVAL AND ISSUE OF FINANCIAL STATEMENTS

The financial statements was approved and authorised for issue by the Company's Board of Directors on 3rd May, 2021.

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