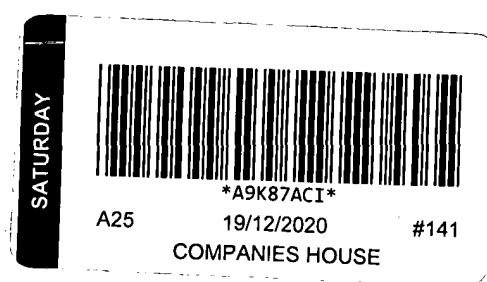


**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

**REPORT OF DIRECTORS AND
FINANCIAL STATEMENTS**

31 DECEMBER 2019



**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

Directors

Timothy Amyas Hartnoll
Tristan John Rance Howitt
Paul Andrew Murphy (Resigned 1 August 2019)
James Edward Lucas (Resigned 1 October 2019)
Angus Richard Parkinson (Appointed 1 October 2019)

Company Secretary

Cornhill Secretaries Limited

Registered Office

60 Goswell Road, London, EC1M 7AD, United Kingdom

Company No. 02470077

Auditors

Moore Kingston Smith

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

31 DECEMBER 2019

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**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report on the Group for the year ended 31 December 2019.

Review of Business

The Group continued to charter vessels for the purpose of providing container feeder services, they also continued to undertake shipping agency functions for business transactions in the United Kingdom, Sweden, Germany, Cyprus, and through a branch in Spain. The business conducted is principally transportation services. The Group operates throughout Europe and the Mediterranean.

Results and Performances

The results of the Group for the year, as set out on page 9, show a profit after tax of US\$16.4 million (2018: US\$8.2 million). The equity reserve attributable to the owner of the Group recorded a deficit of US\$6.6 million (2018: Deficit of US\$23.0 million).

The performance of the Group during 2019 fared a lot better than previous year despite reduced volumes. The improvement in the result is owing to better vessel utilisation partnered by dip in charter rates and bunker costs leading to better gross profit margin of 13% in 2019 as compared to 8% in 2018.

Business Environment

Certain European ports are expected to continue to be faced with long term congestion problems. The Group continues to incorporate the costs of these delays into its business model to attain higher freight rates. This remains the challenging task in the competitive environment within which the Group operates. There is also uncertainty in relation to impact of Brexit on the shipping industry.

Key Performance Indicators ('KPI')

The Directors consider the key financial performance indicators to be gross profit margins and liquidity ratios.

| | <u>Group</u> | | <u>Company</u> | |
|--------------------------|--------------|---------|----------------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| Profit margin | 12.7% | 8.2% | 11.2% | 6.6% |
| Current ratio | 0.76 | 0.64 | 0.75 | 0.63 |
| Debtor's turnover days | 32 days | 42 days | 28 days | 45 days |
| Creditor's turnover days | 37 days | 34 days | 36 days | 33 days |
| Utilisation | 108.1% | 107.4% | 108.1% | 107.4% |

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

Principal risks and uncertainties

The principal risks and uncertainties surrounding the Group are in relation to the general economic conditions, fluctuations of charter hire rates and bunker fuel prices as well as congestion problems in some European ports.

The outlook for 2020 is impacted by the current outbreak of COVID-19 which has significantly lowered visibility for the most part of 2020. The management will continue to leverage on its track record of prudence, nimbleness and reliability to strengthen its relationships with customers and business partners to weather through this uncertain times.

Future Developments

The future results of the Group are expected to be dependent on freight rates and cargo volumes, as well as charter hire rates and bunker fuel prices. The Management has been monitoring and managing these risks on an on-going basis in order to improve its profitability.

Our corporate tax charge will benefit from the reduction in the rate of tax to 19% from April 2018 and to 18% from April 2020.

Statement by the directors relating to their statutory duties under section 172(1) of the Companies Act 2006

The directors, in line with their duties under s172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its member, and in doing so have regard, amongst other matters, to the:

- Likely consequences of any decision in the long term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and the environment;
- Desirability of the company maintaining a reputation for high standards of business conduct;
- Need to act fairly as between members of the company.

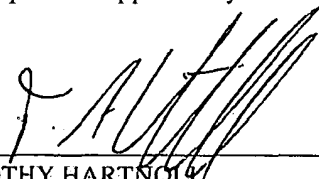
**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

COVID-19

COVID-19 is not expected to have a significant impact on the Group because of the nature of the company's business. Whilst income has been impacted, appropriate actions have been taken to control costs and as a result the Group has continued to trade profitably during the pandemic. Having prepared forecasts taking into account the anticipated effect of COVID-19, management has determined that there is no material uncertainty that casts doubt on the Group's ability to continue as a going concern. It expects that COVID-19 might have some impact for example, in relation to expected future performance, or the effects on some future asset valuations but does not expect that this will be significant.

This report was approved by the Board of Directors on 4/12/2020 and signed on their behalf by:



TIMOTHY HARTNOLL
DIRECTOR

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the audited financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

Dividends and Transfers to Reserves

The net income of the Group and the Company for the financial year of US\$16,442,728 and US\$16,250,466 (2018: US\$8,241,070 and US\$8,052,118) will be credited to accumulated losses. The directors do not recommend the payment of a dividend for the year.

Branch Operations

The Group operates a branch in Barcelona.

Statement as to Disclosure of Information to Auditors

Each of the persons who are directors at the time when this report is approved has confirmed that:

- (a) so far as each director is aware, there is no relevant audit information of which the Group's independent auditors are unaware; and
- (b) each director has taken all the steps that he ought to have taken as a director, including making appropriate enquiries of his fellow directors and of the Group's independent auditors for that purpose, in order to make him aware of any information needed by the Group's independent auditors in connection with preparing their report and to establish that the Group's independent auditors are aware of that information.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Group; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board of Directors on 4/12/2020
and signed on their behalf by:



**TIMOTHY HARTNOLL
DIRECTOR**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

X-PRESS CONTAINER LINE (UK) LIMITED AND ITS SUBSIDIARY COMPANIES

Opinion

We have audited the financial statements of X-Press Container Line (UK) Limited (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2019, which comprise the group profit and loss account, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

X-PRESS CONTAINER LINE (UK) LIMITED AND ITS SUBSIDIARY COMPANIES

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises of the Strategic Report and the Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

X-PRESS CONTAINER LINE (UK) LIMITED AND ITS SUBSIDIARY COMPANIES

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Report set out on page 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

X-PRESS CONTAINER LINE (UK) LIMITED AND ITS SUBSIDIARY COMPANIES

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs (UK) 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 consolidated financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism 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 purposes 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Sutcliffe, *Senior Statutory Auditor*

For and on behalf of Moore Kingston Smith LLP, *Chartered Accountants and Statutory Auditor*

Devonshire House
60 Goswell Road
London
EC1M 7AD

14 December 2020

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

| | <u>Note</u> | Group <u>2019</u> US\$ | <u>2018</u> US\$ |
|--|-------------|-------------------------------------|---------------------|
| Revenue | 3 | 294,146,486 | 308,957,285 |
| Cost of sales | | (256,875,864) | (283,742,900) |
| Gross profit | | 37,270,622 | 25,214,385 |
| Administrative expenses | | (16,850,830) | (16,615,281) |
| Operating income | | 20,419,792 | 8,599,104 |
| Other (expenses)/income | 4 | (2,237,011) | 915,106 |
| Finance expense | 5 | (584,024) | (1,018,803) |
| Profit before income tax | 4 | 17,598,757 | 8,495,407 |
| Income tax expense | 7 | (1,156,029) | (254,337) |
| Profit for the year | | 16,442,728 | 8,241,070 |
| Other comprehensive loss | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | (5,752) | (28,536) |
| Total comprehensive income for the year | | 16,436,976 | 8,212,534 |

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

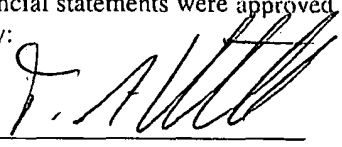
**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | <u>Note</u> | <u>Group</u> | | <u>Company</u> | |
|---|-------------|---------------------|---------------------|---------------------|---------------------|
| | | <u>2019</u> US\$ | <u>2018</u> US\$ | <u>2019</u> US\$ | <u>2018</u> US\$ |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 9 | 3,092,657 | 2,900,549 | 1,076,892 | 1,107,854 |
| Investment in subsidiary companies | 10 | - | - | 1,803,444 | 1,803,444 |
| Investment in joint operations | 11 | - | - | 3,450 | 3,450 |
| Intangible assets | 12 | 4,305,591 | 4,332,275 | 3,016,440 | 3,016,440 |
| Loan receivable | 13 | - | - | 374,291 | - |
| | | <u>7,398,248</u> | <u>7,232,824</u> | <u>6,274,517</u> | <u>5,931,188</u> |
| Current Assets | | | | | |
| Financial assets at fair value through profit or loss | 14 | 751,804 | 751,804 | 751,804 | 751,804 |
| Inventories | 15 | 5,913,379 | 5,374,740 | 5,913,379 | 5,374,741 |
| Loan receivable | 13 | - | - | 82,326 | - |
| Trade and other receivables | 16 | 23,946,128 | 37,566,716 | 24,008,347 | 38,312,625 |
| Contract assets | 3 | 6,365,390 | 5,491,416 | 6,185,078 | 5,014,085 |
| Cash and cash equivalents | | 6,100,038 | 3,501,421 | 3,769,937 | 1,481,138 |
| | | <u>43,076,739</u> | <u>52,686,097</u> | <u>40,710,871</u> | <u>50,934,393</u> |
| Total assets | | <u>50,474,987</u> | <u>59,918,921</u> | <u>46,985,388</u> | <u>56,865,581</u> |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owner of the Company | | | | | |
| Share capital | 17 | 742,624 | 742,624 | 742,624 | 742,624 |
| Reserves | | (7,302,165) | (23,739,141) | (8,026,283) | (24,276,749) |
| | | <u>(6,559,541)</u> | <u>(22,996,517)</u> | <u>(7,283,659)</u> | <u>(23,534,125)</u> |
| Current Liabilities | | | | | |
| Trade and other payables | 18 | 30,505,765 | 29,100,499 | 27,740,557 | 27,527,765 |
| Contract liabilities | 3 | 402,623 | 1,017,202 | 402,623 | 1,017,202 |
| Amount due to the holding company | 19 | 26,125,867 | 52,720,853 | 26,125,867 | 51,797,448 |
| Tax payable | | 273 | 76,884 | - | 57,291 |
| | | <u>57,034,528</u> | <u>82,915,438</u> | <u>54,269,047</u> | <u>80,399,706</u> |
| Total liabilities | | <u>57,034,528</u> | <u>82,915,438</u> | <u>54,269,047</u> | <u>80,399,706</u> |
| Total equity and liabilities | | <u>50,474,987</u> | <u>59,918,921</u> | <u>46,985,388</u> | <u>56,865,581</u> |

The financial statements were approved by the Board of Directors on 4/12/2020 and were signed on its behalf by:


TIMOTHY HARTNOLL
DIRECTOR

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

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Share Capital | Accumulated Losses | Asset Revaluation Reserve | Translation Reserve | Total |
|--|------------------|-----------------------|---------------------------------|------------------------|---------------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| Group | | | | | |
| Balance at 1 January 2019 | 742,624 | (24,386,674) | 580,877 | 66,656 | (22,996,517) |
| Income for the year | - | 16,442,728 | - | - | 16,442,728 |
| Other comprehensive income, net of tax: | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | (5,752) | (5,752) |
| Balance at 31 December 2019 | <u>742,624</u> | <u>(7,943,946)</u> | <u>580,877</u> | <u>60,904</u> | <u>(6,559,541)</u> |
| Balance at 1 January 2018 | 742,624 | (32,627,744) | 580,877 | 95,192 | (31,209,051) |
| Income for the year | - | 8,241,070 | - | - | 8,241,070 |
| Other comprehensive income, net of tax: | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | (28,536) | (28,536) |
| Balance at 31 December 2018 | <u>742,624</u> | <u>(24,386,674)</u> | <u>580,877</u> | <u>66,656</u> | <u>(22,996,517)</u> |
| Company | | | | | |
| Balance at 1 January 2019 | 742,624 | (24,857,626) | 580,877 | - | (23,534,125) |
| Net income and total comprehensive income for the year | - | 16,250,466 | - | - | 16,250,466 |
| Balance at 31 December 2019 | <u>742,624</u> | <u>(8,607,160)</u> | <u>580,877</u> | <u>-</u> | <u>(7,283,659)</u> |
| Balance at 1 January 2018 | 742,624 | (32,909,744) | 580,877 | - | (31,586,243) |
| Net income and total comprehensive income for the year | - | 8,052,118 | - | - | 8,052,118 |
| Balance at 31 December 2018 | <u>742,624</u> | <u>(24,857,626)</u> | <u>580,877</u> | <u>-</u> | <u>(23,534,125)</u> |

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

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

| | <u>Note</u> | <u>Group</u> <u>2019</u> US\$ | <u>2018</u> US\$ | <u>Company</u> <u>2019</u> US\$ | <u>2018</u> US\$ |
|---|-------------|-------------------------------------|---------------------|---------------------------------------|---------------------|
| Cash Flows from Operating Activities | | | | | |
| Profit before income tax | | 17,598,757 | 8,495,407 | 17,351,772 | 8,184,815 |
| Adjustments for: | | | | | |
| Allowance for impairment of trade receivables | 4 | 258,682 | - | 258,682 | - |
| Write back of allowance for impairment of trade receivables | 4 | (650,268) | (989,417) | (650,268) | (989,417) |
| Depreciation of property, plant and equipment | 9 | 115,827 | 97,343 | 45,446 | 37,413 |
| Unrealised foreign exchange loss | | 138,683 | 33,872 | 134,228 | 37,367 |
| Interest income | | (2,155) | (1,910) | (9,625) | (1,855) |
| Loss on disposal of equipment | 4 | - | 1,927 | - | - |
| Amortisation of intangible assets | 12 | 3,722,362 | - | 3,722,362 | - |
| Operating cash flows before working capital changes | | 21,181,888 | 7,637,222 | 20,852,597 | 7,268,323 |
| Changes in working capital | | | | | |
| Inventories | | (538,639) | 2,845,224 | (538,638) | 2,845,223 |
| Trade and other receivables | | 13,161,931 | 18,308,052 | 13,558,060 | 19,601,908 |
| Trade and other payables | | 629,791 | (14,392,248) | (559,552) | (14,181,752) |
| Cash generated from operations | | 34,434,971 | 14,398,250 | 33,312,467 | 15,533,702 |
| Interest received | | 2,155 | 1,910 | 2,036 | 1,855 |
| Income tax paid | | (1,232,329) | (1,336,117) | (1,158,597) | (1,234,195) |
| Net cash generated from operating activities | | 33,204,797 | 13,064,043 | 32,155,906 | 14,301,362 |
| Cash Flows from Investing Activities | | | | | |
| Purchase of property, plant and equipment | 9 | (310,630) | (1,298,743) | (14,484) | (76,311) |
| Proceeds from disposal of property, plant and equipment | | - | 25,986 | - | - |
| Investment in a partnership | 14 | - | (751,804) | - | (751,804) |
| Net cash acquisition of a subsidiary company | 10(b) | - | (574,770) | - | (635,453) |
| Purchase of intangible assets | 12 | (3,722,362) | - | (3,722,362) | - |
| Loan to a subsidiary | | - | - | (459,582) | - |
| Net cash used in investing activities | | (4,032,992) | (2,599,331) | (4,196,428) | (1,463,568) |
| Cash Flows from Financing Activity | | | | | |
| Amount repaid to holding company | 19 | (26,594,986) | (18,661,936) | (25,671,581) | (19,673,532) |
| Net increase/(decrease) in cash and cash equivalents | | 2,576,819 | (8,197,224) | 2,287,897 | (6,835,738) |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 21,798 | (1,947) | 902 | (3,097) |
| Cash and cash equivalents at the beginning of the year | | 3,501,421 | 11,700,592 | 1,481,138 | 8,319,973 |
| Cash and cash equivalents at the end of the year | | 6,100,038 | 3,501,421 | 3,769,937 | 1,481,138 |

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

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies

X-Press Container Line (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Devonshire House, 60 Goswell Road, London, EC1M 7AD.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements are stated in US Dollars, being the functional currency of the Group. The principal accounting policies adopted are set out below.

Adoption of New or Revised IAS and IFRS issued which are effective

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019 as follows:

IFRS 16 Leases

IFRS 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*; and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities. Right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*.

- a) For all contracts entered into before 1 January 2019 and that were previously identified as leases under IAS 17 and IFRIC 4, the Group is exempted from having to reassess whether pre-existing contracts contain a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered into or modified before 1 January 2019.
- b) Per IFRS 16, on a lease-by-lease basis, lessees are required to:
 - apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - rely on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - exclude initial direct costs in the measurement of the right-of-use (“ROU”) asset at the date of initial application; and
 - use hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- c) The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

Adoption of New or Revised IAS and IFRS issued which are effective (cont'd)

IFRS 16 Leases (cont'd)

Impact on lessee accounting

As at 1 January 2019 and 31 December 2019, the Group has not entered into any lease contract, with a duration of more than 12 months which is required to be recognised as a right-of-use asset.

Impact on lessor accounting

There are no significant changes to the accounting by the Group as a lessor.

IFRS 9 (amendments) *Prepayment Features with Negative Compensation* - took effect from 1 January 2019 and has been adopted for the year ended 31 December 2019. No adjustments were required.

IAS 28 (amendments) *Investments in Associates and Joint Ventures* - took effect from 1 January 2019 and has been adopted for the year ended 31 December 2019. No adjustments were required.

IFRIC 23 *Uncertainty over income tax treatments* - took effect from 1 January 2019 and has been adopted for the year ended 31 December 2019. No adjustments were required. The new model for impairment was considered but the company does not expect any losses from its receivables and no loss provision has been included in the accounts.

New or Revised IAS and IFRS issued but not yet effective

At the date of authorisation of these financial statements, the relevant amended IFRSs that have been issued but not yet effective is as follows:

| Description | Effective for annual periods beginning on or after |
|------------------------------|---|
| | 1 January 2020 |
| IFRS 3 | 1 January 2020 |
| IAS 1 and IAS 8 | 1 January 2020 |
| IFRS 9, IAS 39 and IFRS 7 | 1 January 2020 |
| IFRS 10 and IAS 28 | Deferred indefinitely, early application is still permitted |
| IAS 1 | 1 January 2022 |

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies

New or Revised IAS and IFRS issued but not yet effective (cont'd)

Management expects that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

(a) Going Concern

In the current financial year, the Group's current liabilities exceeded its current assets by US\$13,957,789 (2018: US\$30,229,341) and the Group has a deficit in shareholder's equity of US\$6,559,541 (2018: US\$22,996,517).

The Group generated net income of US\$16,442,728 (2018: US\$8,241,070) and total comprehensive income of US\$16,436,976 (2018: US\$8,212,534).

Notwithstanding the net profit and comprehensive income generated in the current and previous financial year, the Group's deficit in equity may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis as the ultimate holding company has agreed to provide continuing financial support and not to recall the amount due to them of US\$26,125,867 (2018: US\$52,720,853) as set out in Note 19 and Note 21.

COVID-19 is not expected to have a significant impact on the Group because of the nature of the company's business. Whilst income has been impacted, appropriate actions have been taken to control costs and as a result the Group has continued to trade profitably during the pandemic. Having prepared forecasts taking into account the anticipated effect of COVID-19, management has determined that there is no material uncertainty that casts doubt on the Group's ability to continue as a going concern. It expects that COVID-19 might have some impact for example, in relation to expected future performance, or the effects on some future asset valuations but does not expect that this will be significant.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December 2019.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any minority interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the minority interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Minority interest is the equity in a subsidiary not attributable, direct or indirectly, to a parent company.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

The excess of the consideration transferred, the amount of any minority interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, minority interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(c) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly.
- its liabilities, including its share of any liabilities incurred jointly.
- its revenue from the sale of its share of the output arising from the joint operation.
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

When the Group enters into transaction involving a sale or contribution of assets with a joint operation in which it is a joint operator, the Group recognises gains and losses resulting from such a transaction only to the extent of the interests held by the other parties to the joint operation.

When the Group enters into a transaction involving purchase of assets with a joint operation in which it is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party. When such transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the Group recognises its share of those losses.

(d) Currency Translation

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollar, which is the Company's functional and presentation currency. Group has used an exchange rate of US\$1.2921/GBP existed at year end date.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(d) Currency Translation (cont'd)

Transactions and balances (cont'd)

Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transactions. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
 - (ii) Income or expense for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) are translated at the exchange rate at the date of the transaction; and
 - (iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.
- (e) Property, Plant and Equipment**

All items of property, plant and equipment are initially stated at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefit associated with an item will flow to the Group and the cost can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent expenditure relating to property, plant and equipment that has already been recognised, is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditures are recognised as an expense during the financial year in which it is incurred.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment (cont'd)

Depreciation of property, plant and equipment is calculated on a straight line basis to write off the cost of the asset less the estimated residual value over its estimated useful life at the following rates:

| | |
|--|---|
| Office equipment, furniture and fittings | - 20% to 25% |
| Renovations | - 10% or lease term whichever is shorter |
| Freehold buildings | - 1.88% (53 years remaining life from revaluation date) |
| Motor vehicle | - 36 months |

The Group has a policy of revaluing its freehold building every 3 years.

The residual values and useful life of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date.

When property is revalued, any surplus on revaluation is credited to an asset revaluation reserve. A decrease in net carrying amount arising from the revaluation of property is charged in profit or loss to the extent that it exceeds any surplus held in revaluation reserve relating to a previous revaluation of the same class of assets.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the profit or loss.

(f) Intangible Assets

Trademark licenses and customer listings are initially recognised at cost and subsequently carried at cost less accumulated impairment losses, if any.

(g) Impairment of Non-Financial Assets

At each reporting date, the carrying amounts of the Group's non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Whenever the carrying amount of a non-financial asset exceeds its recoverable amount, an impairment loss is recognised in the profit or loss.

The recoverable amount is the higher of an asset's fair value less costs of disposal (estimated net selling price) or value-in-use. The estimated net selling price is the amount which is considered to be obtainable from the sale of an asset in an arm's length transaction. Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. All reversals of impairment are recognised in the profit or loss.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(h) Inventories

Inventories, which comprise bunker fuel, are stated at the lower of cost and net realisable value, with cost determined on a first-in, first-out basis. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. Net realisable value represents the estimated selling price in the ordinary course of business less costs to be incurred in marketing, selling and distribution.

Stores and spares are charged to operating expenses when purchased and no account is taken of stocks remaining on board at the reporting date.

(i) Financial Assets

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVPL), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Initial Recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Financial assets measured at amortised costs are presented as "loan receivable", "trade and other receivables", "contract assets" and "cash and cash equivalents" on the statement of financial position.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Classification and measurement (cont'd)

Subsequent Measurement

Debt instruments

Debt instruments mainly comprise of loan receivable, trade receivables, contract assets, other receivables, amounts due from related parties and cash and cash equivalents. Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in the statement of profit or loss.

Interest income is recognised on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

FVPL

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. For debt investment that is measured at FVPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Interest income is recognised on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with the following financial instruments:

- financial assets measured at amortised cost; and
- contract assets (as defined in IFRS 15);

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Impairment (cont'd)

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach – Trade receivables and contract assets

The Group applies the simplified approach to provide ECLs for all trade receivables and contract assets as permitted by IFRS 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

General approach – Financial assets

The Group applies the general approach to provide for ECLs on its financial assets, which require the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

Credit-impaired financial assets

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. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Impairment (cont'd)

Credit-impaired financial assets (cont'd)

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(i) Financial Assets (cont'd)

Recognition and derecognition (cont'd)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(j) Fair Value Estimation of Financial Assets and Liabilities

The financial assets at fair value through profit or loss measured at level 3 are unquoted investments, and their fair value were estimated based on valuation techniques.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

(k) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value through profit and loss. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integrated part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial liabilities of the Group are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date. Financial liabilities of the Group include trade and other payables, amount due to related parties and amount due to holding company at the reporting date.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group is confident that a provision is to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Leases

Accounting policies applicable from 1 January 2019

As lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract 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. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities. The Group presents its right-of-use assets in "property, plant and equipment" in the statements of financial position.

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

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

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(m) Leases (cont'd)

Accounting policies applicable from 1 January 2019 (cont'd)

As lessee (cont'd)

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

Lease liabilities are measured at amortised cost, and are remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- There is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

Short-term lease and lease of low-value assets

The Group applies the short-term leases recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payment on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Income arising from these leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the rental income.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(m) Leases (cont'd)

Accounting policies applicable from 1 January 2019 (cont'd)

As lessor (cont'd)

Sub-lease arrangements where the Group acts as an intermediate lessor are classified as finance or operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset. Where the Group has applied the short-term exemptions to the head lease, then the sub-lease will be classified as an operating lease.

Accounting policies applicable prior to 1 January 2019

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

The accounting policy applicable to the Group as a lessor in the comparative period was the same as under IFRS 16.

(n) Contingencies

The Group does not recognise contingent liabilities until such liabilities are considered to be probable. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements until they have materialised but are disclosed when an inflow of economic benefits is considered probable.

(o) Employee Benefits

Contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

(p) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for rendering the promised services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by rendering a promised service to the customer, which is when the customer obtains benefits of the service. A performance obligation is satisfied over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

**X-PRESS CONTAINER LINE (UK) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(q) Revenue Recognition (cont'd)

Freight income

Freight income is recognised as the freight services are rendered (percentage of completion). The percentage of completion is determined using the load-to-discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. According to this method, freight income is recognized in the profit or loss according to the vessel's load date to the discharge date. The voyage begins on the date when the cargo is loaded, and the voyage ends on the next discharge (load-to-discharge).

Sub-charter hire income

Time charter income, which is an operating lease in nature, is recognized over the life of time charter agreements.

Ship management fee and Service income

Ship management fee and service income are recognised when the Company satisfies a performance obligation by rendering the services to the customer, which is when the customer obtains benefits of the service. A performance obligation is satisfied over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(r) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(s) Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(i) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(s) Income Taxes (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred taxes are recognised in the profit or loss except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(t) Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements if:

- a. A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1 Summary of Significant Accounting Policies (cont'd)

(t) Related Parties (cont'd)

b. An entity is related to a reporting entity if any of the following conditions applies:

- i. the entity and the reporting entity 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- vi. the entity is controlled or jointly controlled by a person identified in (i);
- 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); or
- viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other information and facts available at the time, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical Accounting Estimates and Assumptions

In the preparation of these financial statements, management is required to make judgements, estimated and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimate and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, accrual experience may differ from these estimates.

The principal estimates and judgements that could have a significant effect on the company's financial statements are:

Impairment on intangibles

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Critical Judgements in Applying the Group's Accounting Policies

Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency, current economic trends and default or significant delay in payments. If the estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by US\$2,394,613 (2018: US\$3,756,672).

The carrying values of trade and other receivables as at 31 December 2019 amounted to US\$23,946,128 (2018: US\$37,566,716).

Contingencies

The Group is involved, from time to time in the course of its business, in disputes resulting from its operating activities which may or may not result in legal action being taken by or against the Group. Where possible, it mitigates the risks of loss arising from any such disputes by appropriate insurance coverage.

After consultation with its legal advisers, the Group considers that the outcome of the disputes in which it is currently involved will not be such as to have a material adverse impact on its financial position. The Group recognised a total provision for legal costs amounting to US\$0.05 million. The Group did not recognise any additional provision in the previous financial year.

3 Revenue and Contract Assets and Contract Liabilities

An analysis of the Group's revenue is as follows:

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|-------------------------|---------------------|---------------------|
| By Activity: | | |
| Freight income | 280,888,451 | 291,647,298 |
| Sub-charter hire income | 1,543,032 | 5,313,000 |
| Agency income | 2,130,183 | 2,083,820 |
| Forwarding income | 8,805,585 | 9,786,352 |
| Ship management revenue | 779,235 | 126,815 |
| | <u>294,146,486</u> | <u>308,957,285</u> |

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

3 Revenue and Contract Assets and Liabilities (cont'd)

An analysis of the Group's revenue is as follows: (cont'd)

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|-----------------------|---------------------|---------------------|
| By Geographical Area: | | |
| North Europe | 172,075,799 | 181,092,224 |
| South Europe | 111,962,693 | 119,457,008 |
| America | 2,239,504 | 3,560,649 |
| Middle East | 7,788,390 | 4,847,404 |
| Africa | 80,100 | - |
| | <u>294,146,486</u> | <u>308,957,285</u> |

| | Group | | Company | |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2019</u> US\$ | <u>2018</u> US\$ | <u>2019</u> US\$ | <u>2018</u> US\$ |
| Contract assets | 6,365,390 | 5,491,416 | 6,185,078 | 5,014,085 |
| Contract liabilities | 402,623 | 1,017,202 | 402,623 | 1,017,202 |

Contract assets

Contract assets relate to revenue representing the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when invoices are billed to the customer, usually within a month.

Contract assets reclassified to trade receivables amounted to US\$5,491,416 (2018: US\$10,012,731) for the financial year ended 31 December 2019.

Management always estimates the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the industry. None of the contract assets at the end of the reporting period is past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

Management has assessed that there has not been a significant increase in credit risk since initial recognition, therefore no allowance for impairment loss on contract assets is required during the financial year ended 31 December 2019.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

3 Revenue and Contract Assets and Liabilities (cont'd)

Contract liabilities

Contract liabilities relate to the Group's obligation to perform the services for customers for which the Group has billed the customers for the Group's services. Contract liabilities are recognised as revenue at the point the Group performs under the contract.

Revenue recognised in financial year ended 31 December 2019 which was included in the contract liabilities balance at the beginning of the year was US\$1,017,202. Management expects that 100% of the contract liabilities as of 31 December 2019 may be recognised as revenue during the next reporting period.

4 Profit before income tax

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|---|---------------------|---------------------|
| Income before income tax is stated after charging/(crediting): | | |
| <u>Included in cost of sales</u> | | |
| Operating lease expense - vessel charter hire | 83,944,187 | 96,527,353 |
| Bunker expenses during the year | 77,592,859 | 84,474,997 |
| Allowance for impairment of trade receivables (Note 23 (a)(ii)) | 258,682 | - |
| Write back of allowance for impairment of trade receivables (Note 23 (a)(ii)) | (650,268) | (989,417) |
| <u>Included in administrative expenses</u> | | |
| Operating lease expense - rental of office premises | 178,724 | 231,825 |
| Depreciation of property, plant and equipment (Note 9) | 115,827 | 97,343 |
| Amortisation of intangible assets (Note 12) | 3,722,362 | - |
| Auditor's remuneration: | | |
| - statutory audit | 22,580 | 27,473 |
| - taxation services | 36,223 | 48,197 |
| Loss on disposal of property, plant and equipment | - | 1,927 |
| <u>Included in other income</u> | | |
| Foreign exchange gain - net | <u>(1,301,605)</u> | <u>(176,353)</u> |

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

5 Finance Expense

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|---------------------------------------|---------------------|---------------------|
| Accounts Receivable financing expense | <u>584,024</u> | <u>1,018,803</u> |

Some of the Company's trade receivables are sold to a related corporation under an accounts receivable financing scheme arranged by a financial institution, with no recourse to the Company.

6 Staff Costs and Emoluments of Directors

Staff costs (excluding directors' emoluments) consist of:

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|----------------------------|---------------------|---------------------|
| Wages and salaries | 6,875,677 | 5,051,308 |
| Pension costs | 1,105,561 | 1,482,013 |
| Staff welfare and benefits | 778,743 | 633,400 |
| | <u>8,759,981</u> | <u>7,166,721</u> |

The average monthly number of persons (including directors) employed during the year was:

| | <u>2019</u> | <u>2018</u> |
|------------|-------------|-------------|
| Operations | 55 | 58 |
| Directors | 4 | 4 |
| | <u>59</u> | <u>62</u> |

Remuneration of directors of the Group is set out below:

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|--------------------------------|---------------------|---------------------|
| Short term employment benefits | <u>85,899</u> | <u>799,465</u> |

The emoluments of the highest paid director were US\$85,599 (2018: US\$731,358). Two directors received benefits under defined contribution pension schemes or defined benefit pension schemes during the financial years.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

7 Taxation

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|--|---------------------|---------------------|
| Foreign taxes | 54,723 | 121,640 |
| Local tax – current | 975,763 | 99,165 |
| Local tax – prior year under provision | 125,543 | 33,532 |
| | <u>1,156,029</u> | <u>254,337</u> |
| | | |
| | <u>2019</u> US\$ | <u>2018</u> US\$ |
| Factors affecting the tax charge for the year: | | |
| Profit on ordinary activities before taxation | <u>17,598,757</u> | <u>8,495,407</u> |
| | | |
| Tax at domestic rates applicable to income in the countries where the Group operates at average of 18.64% (2018: 18.68%) | 3,281,139 | 1,586,707 |
| Disallowable expenses | 145,080 | 89,456 |
| Tax losses utilised | (2,289,951) | (1,346,887) |
| Other differences | 96 | (78,434) |
| Other taxes charges | 19,665 | 3,495 |
| | <u>1,156,029</u> | <u>254,337</u> |

The corporation income tax rate applicable to the Company is 19% (2018: 19%). The Group's subsidiary companies are subject to corporate tax rate which ranges from 12.5% to 32% in the countries where the subsidiary companies operates.

The Group has UK taxable losses carried forward of US\$14,143,431 (2018: US\$25,744,713) against which any future UK taxable profits will be offset, thereby reducing the tax charge in the financial year the losses are utilised.

8 Ultimate Holding Company

The Group's immediate holding company is X-Press Feeders Limited, a company incorporated in the British Virgin Islands, which is also regarded by the directors as the Company's ultimate holding company. The beneficial owner of X-Press Feeders Limited is Mr Timothy Amyas Hartnoll.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

9 Property, Plant and Equipment

| | Freehold land & building | Renovations | Motor Vehicle, Office equipment, Furniture & Fittings | Computers | Total |
|--|-----------------------------|-------------|--|-----------|-----------|
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| Group | | | | | |
| 2019 | | | | | |
| <u>Cost</u> | | | | | |
| At 1 January | 2,570,621 | 304,257 | 183,260 | 180,423 | 3,238,561 |
| Additions | - | 264,911 | 27,640 | 18,079 | 310,630 |
| Effect of foreign currency exchange differences | (207) | (1,494) | (2,728) | (1,330) | (5,759) |
| At 31 December | 2,570,414 | 567,674 | 208,172 | 197,172 | 3,543,432 |
| <u>Accumulated depreciation</u> | | | | | |
| At 1 January | 30,046 | 90,986 | 91,553 | 125,427 | 338,012 |
| Charge for the year | 34,747 | 37,978 | 18,522 | 24,580 | 115,827 |
| Effect of foreign currency exchange differences | (82) | (510) | (1,249) | (1,223) | (3,064) |
| At 31 December | 64,711 | 128,454 | 108,826 | 148,784 | 450,775 |
| <u>Net book value</u> | | | | | |
| At 31 December | 2,505,703 | 439,220 | 99,346 | 48,388 | 3,092,657 |
| 2018 | | | | | |
| <u>Cost</u> | | | | | |
| At 1 January | 983,237 | 115,930 | 151,833 | 147,718 | 1,398,718 |
| Additions | 1,004,056 | 165,248 | 77,112 | 52,327 | 1,298,743 |
| Addition through acquisition of a subsidiary | 583,411 | 23,735 | - | - | 607,146 |
| Disposal | - | - | (41,960) | (16,745) | (58,705) |
| Effect of foreign currency exchange differences | (83) | (656) | (3,725) | (2,877) | (7,341) |
| At 31 December | 2,570,621 | 304,257 | 183,260 | 180,423 | 3,238,561 |
| <u>Accumulated depreciation</u> | | | | | |
| At 1 January | - | 49,925 | 85,401 | 113,298 | 248,624 |
| Charge for the year | 26,299 | 17,523 | 22,741 | 30,780 | 97,343 |
| Addition through acquisition of a subsidiary | 3,779 | 23,735 | - | - | 27,514 |
| Disposal | - | - | (14,047) | (16,745) | (30,792) |
| Effect of foreign currency exchange differences | (32) | (197) | (2,542) | (1,906) | (4,677) |
| At 31 December | 30,046 | 90,986 | 91,553 | 125,427 | 338,012 |
| <u>Net book value</u> | | | | | |
| At 31 December | 2,540,575 | 213,271 | 91,707 | 54,996 | 2,900,549 |

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

9 Property, Plant and Equipment (cont'd)

| | Freehold land & building | Renovations | Motor Vehicle, Office equipment, Furniture & Fittings | Computers | Total |
|---------------------------------|-----------------------------|-------------|--|-----------|-----------|
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| Company | | | | | |
| 2019 | | | | | |
| <u>Cost</u> | | | | | |
| At 1 January | 983,237 | 152,654 | 33,050 | 73,828 | 1,242,769 |
| Additions | - | - | - | 14,484 | 14,484 |
| At 31 December | 983,237 | 152,654 | 33,050 | 88,312 | 1,257,253 |
| <u>Accumulated depreciation</u> | | | | | |
| At 1 January | 11,080 | 62,072 | 19,447 | 42,316 | 134,915 |
| Charge for the year | 11,080 | 16,820 | 3,894 | 13,652 | 45,446 |
| At 31 December | 22,160 | 78,892 | 23,341 | 55,968 | 180,361 |
| <u>Net book value</u> | | | | | |
| At 31 December | 961,077 | 73,762 | 9,709 | 32,344 | 1,076,892 |
| 2018 | | | | | |
| <u>Cost</u> | | | | | |
| At 1 January | 983,237 | 115,930 | 24,800 | 61,800 | 1,185,767 |
| Additions | - | 36,724 | 10,814 | 28,773 | 76,311 |
| Disposal | - | - | (2,564) | (16,745) | (19,309) |
| At 31 December | 983,237 | 152,654 | 33,050 | 73,828 | 1,242,769 |
| <u>Accumulated depreciation</u> | | | | | |
| At 1 January | - | 49,925 | 18,613 | 48,273 | 116,811 |
| Charge for the year | 11,080 | 12,147 | 3,398 | 10,788 | 37,413 |
| Disposal | - | - | (2,564) | (16,745) | (19,309) |
| At 31 December | 11,080 | 62,072 | 19,447 | 42,316 | 134,915 |
| <u>Net book value</u> | | | | | |
| At 31 December | 972,157 | 90,582 | 13,603 | 31,512 | 1,107,854 |

- (a) The freehold property of the Group is comprised of six office units with combined floor area of 451.56 square metres in 14th floor of a high-rise building. Three units were acquired in March 2014 and the other three units in July 2019.
- (b) The freehold property was revalued at the end of 2017. The freehold properties have combined fair value of US\$1.89 million (2018: US\$1.92 million) determined on the basis of the valuation carried out by an independent property valuer, Técnicos en Tasación S.A. in December 2019.

The following table shows the significant observable input used in the valuation model:

| <u>Description</u> | <u>Valuation technique</u> | <u>Significant observable input</u> |
|-----------------------------------|----------------------------|--|
| Freehold and Leasehold properties | Open Market Valuation | Quoted prices for similar assets in active markets |

- (c) The motor vehicle acquired under finance lease by the Group was sold in the previous financial year at a loss of US\$1,927.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

10 Investment in Subsidiary Companies

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|---------------------------------|---------------------|---------------------|
| Company | | |
| <u>Unquoted shares, at cost</u> | | |
| At 1 January | 1,803,444 | 1,141,674 |
| Additions during the year | - | 661,770 |
| At 31 December | <u>1,803,444</u> | <u>1,803,444</u> |

The details of the subsidiary companies as at 31 December are:

| <u>Name of company, country of incorporation and country of operation</u> | <u>Principal activities</u> | <u>Equity held by the Company</u> | | <u>Cost of investment by the Company</u> | |
|---|--|---------------------------------------|-------------|--|-------------|
| | | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | | % | % | US\$ | US\$ |
| X-Press Feeders Agency GmbH Germany | Shipping agency | 100 | 100 | 34,107 | 34,107 |
| Feroday Associates Limited Cyprus | Shipping agency | 100 | 100 | 106 | 106 |
| X-Press Shipping Agency Panama S.A Panama | Shipping agency | 100 | 100 | 10,000 | 10,000 |
| Transatlantic Container AB Sweden (a) | Container Feeder | 100 | 100 | 1,123,778 | 1,123,778 |
| Duxton Property S.L Spain (b) | Ownership and letting of properties | 100 | 100 | 635,453 | 635,453 |

(a) Additional investment in subsidiary company

In the previous financial year ended 31 December 2018, XCLUK converted EUR23,000 (equivalent to US\$26,317) of its loan to TAC into quasi-equity. This is now part of the net investment in subsidiary companies and the amount is not expected to be repaid in the near future.

**X-PRESS CONTAINER LINE (UK) LIMITED
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

10 Investment in Subsidiary Companies (cont'd)

(b) Acquisition of new subsidiary

In July 2018, XCLUK acquired 100% equity interest in Belles y Gea SL for a total purchase consideration of EUR550,843 (equivalent to US\$635,453). After the acquisition, Belles y Gea S.L was renamed to Duxton Property S.L ("Duxton"). Duxton is engaged in ownership and letting of properties. The purchase consideration approximates the net asset position of the subsidiary at the date of acquisition.

| | Group 2018 US\$ |
|---------------------------------|--------------------------------|
| Purchase consideration in cash | 635,453 |
| Less: | |
| Cash and cash balances | <u>(60,683)</u> |
| Net cash outflow on acquisition | <u>574,770</u> |

11 Investment and Interests in Joint Operations

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|---|---------------------|---------------------|
| Company | | |
| Balance as at 1 January and 31 December | <u>3,450</u> | <u>3,450</u> |

The Group has entered into an incorporated joint operation agreement with its business partners. These agreements provide for cost and/or revenue sharing at an agreed percentage.

Summarised financial information in respect of the Group's interest in non-incorporated joint operations is set out below:

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|--|---------------------|---------------------|
| Net assets | 32,689 | 201,493 |
| Revenue | <u>-</u> | <u>531,802</u> |
| Amount due from joint operations (Note 16) | <u>32,689</u> | <u>245,583</u> |
| Amount due to joint operations (Note 18) | <u>840,424</u> | <u>-</u> |

There are no significant commitments or contingent liabilities outstanding in these joint operations as at 31 December 2019 and 2018.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

12 Intangible Assets

| | Group | | Company | |
|--|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | US\$ | US\$ | US\$ | US\$ |
| Cost | | | | |
| At 1 January | 4,332,275 | 4,389,770 | 3,016,440 | 3,016,440 |
| Addition during the year | 3,722,362 | - | 3,722,362 | - |
| Effect of foreign currency exchange difference | (26,684) | (57,495) | - | - |
| At 31 December | 8,027,953 | 4,332,275 | 6,738,802 | 3,016,440 |
| Accumulated amortisation | | | | |
| At 1 January | - | - | - | - |
| Amortisation during the year | 3,722,362 | - | 3,722,362 | - |
| At 31 December | 3,722,362 | - | 3,722,362 | - |
| Net amount as at 31 December | 4,305,591 | 4,332,275 | 3,016,440 | 3,016,440 |

13 Loan Receivable

| | Company |
|---|----------------|
| | <u>2019</u> |
| | US\$ |
| Loan receivable | |
| Non-current | 374,291 |
| Current | 82,326 |
| | <u>456,617</u> |
| Repayable: | |
| - not later than one year | 82,326 |
| - later than one year but not later than five years | 321,234 |
| - later than five years | 53,057 |
| | <u>456,617</u> |

During the current financial year, a loan was advanced to a subsidiary. Rental expense due to the subsidiary is offset against the loan receivable.

The loan bears a variable interest rate of Euribor + 2% and is unsecured and repayable on demand.

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14 Financial Assets at Fair Value through Profit or Loss

| | Group | | Company | |
|----------------------|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | US\$ | US\$ | US\$ | US\$ |
| Investment in shares | 751,804 | 751,804 | 751,804 | 751,804 |

The investment was acquired during the previous financial year and designated to measure at FVPL. The investment comprised of a vessel for earning income. The fair value of the investment is based on the market price at year end.

The investment was sold subsequent to the year end.

15 Inventories

| | Group | | Company | |
|-------------|--------------|-------------|----------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | US\$ | US\$ | US\$ | US\$ |
| Bunker fuel | 5,913,379 | 5,374,740 | 5,913,379 | 5,374,741 |

16 Trade and Other Receivables

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | US\$ | US\$ | US\$ | US\$ |
| Trade receivables | 12,841,537 | 19,955,212 | 11,952,559 | 18,564,512 |
| Amount due from agents | 686,969 | 964,503 | 686,969 | 964,503 |
| Amount due from joint operations (Note 11) | 32,689 | 245,583 | 32,689 | 245,583 |
| Other receivables | 337,485 | 1,091,426 | 248,260 | 736,222 |
| Deferred cost | 165,080 | 325,655 | 165,080 | 325,655 |
| Amount due from related parties | 7,749,719 | 13,139,967 | 8,859,381 | 15,732,671 |
| Deposits | 31,388 | 76,487 | 20,617 | 27,998 |
| Prepayments | 2,101,261 | 1,767,883 | 2,042,792 | 1,715,481 |
| | <u>23,946,128</u> | <u>37,566,716</u> | <u>24,008,347</u> | <u>38,312,625</u> |

Trade receivables are normally settled in 30 to 60 day. Trade receivables include an allowance for impairment of trade receivables of US\$228,275 (2018: US\$436,275) (see Note 23 (a)(ii)).

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16 Trade and Other Receivables (cont'd)

Other receivables mainly include sub-charterer account, owner account, vessel disbursement recoverable, staff loans and advances recoverable and deferred costs. It also includes an allowance for impairment of other receivables of US\$29,022 (2018: US\$29,022) (see Note 23 (a)(ii)).

Amounts due from related parties and joint operations are unsecured, interest free and repayable on demand.

Deferred cost relates to invoices received from supplier for expenses to be incurred in the next financial year.

17 Share Capital

| | <u>2019 and 2018</u> US\$ |
|---|------------------------------|
| Authorised 500,000 ordinary shares of GBP1 | <u>742,624</u> |
| Allotted, called and fully paid up 500,000 ordinary shares of GBP1 | <u>742,624</u> |

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

18 Trade and Other Payables

| | Group | | Company | |
|---|---------------------|---------------------|---------------------|---------------------|
| | <u>2019</u> US\$ | <u>2018</u> US\$ | <u>2019</u> US\$ | <u>2018</u> US\$ |
| Provision for vessel disbursements | 14,149,052 | 13,007,134 | 13,918,259 | 12,221,715 |
| Trade payables | 9,788,377 | 12,034,516 | 9,224,252 | 11,239,511 |
| Amounts due to agents | 1,204,771 | 1,631,357 | 1,073,213 | 1,516,376 |
| Amount due to joint operations (Note 11) | 840,424 | - | 840,424 | - |
| Other payables | 103,271 | 1,257,695 | 92,963 | 1,245,137 |
| Amount due to related parties | 2,243,265 | 58,133 | 1,374,469 | 970,477 |
| Accruals | 2,176,605 | 1,111,664 | 1,216,977 | 334,549 |
| | <u>30,505,765</u> | <u>29,100,499</u> | <u>27,740,557</u> | <u>27,527,765</u> |

Amounts due to related parties and joint operations are unsecured, interest-free and repayable on demand.

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19 Amount Due to the Holding Company

The amount due to the holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

The holding company has agreed however to subordinate its rights to repayment of its debt in favour of third party creditors and to provide continued support to the Company for the foreseeable future. Repayment will not be demanded until the resources of the Company allow.

| | Group 2019 US\$ | Group 2018 US\$ |
|---|--------------------------------|--------------------------------|
| Amount due to the Holding Company | | |
| Balance as at the beginning of the year | 52,720,853 | 71,382,789 |
| Offset balances during the year | (1,359,733) | 27,858,207 |
| Repayments during the year | (25,235,253) | (46,520,143) |
| Net amount repaid to Holding Company | (26,594,986) | (18,661,936) |
| Balance as at the end of the year | <u>26,125,867</u> | <u>52,720,853</u> |

20 Deferred Taxation

A deferred tax asset of US\$2,545,818 (2018: US\$5,368,781) on taxable losses carried forward at the year-end has not been recognised on the grounds that its realisation is considered uncertain as to the timing and amount, based on current profitability and future cashflow projections.

21 Related Party Transactions

The Group had related party transactions in the year as follows:

| | 2019 US\$ | 2018 US\$ |
|---|----------------------|----------------------|
| (a) Costs recovery by a related subsidiary company | 5,609,565 | 4,654,243 |
| (b) Charter hire expense payable to related subsidiary companies | 23,933,333 | 26,654,936 |
| (c) Ship daily running cost | 1,685,549 | 1,695,717 |
| (d) Agency income charged to a related subsidiary company | 2,130,183 | 2,083,820 |
| (e) Ship management revenue | 779,235 | 126,815 |
| (f) Service income charged in relation to accounts receivable financing | - | 644,814 |
| (g) Accounts receivable financing cost | 584,024 | 1,018,830 |
| (h) Key management remuneration - short term employment benefits | <u>869,360</u> | <u>1,558,127</u> |

Key management includes the directors of the Company as well as certain other members of the senior management team.

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21 Related Party Transactions (cont'd)

(Payables)/Receivables subject to offsetting arrangement

The Company is a party in Group's Offsetting agreement wherein the amounts due from/to each party at year end are transferred to the holding company.

The Company's (payables)/receivables that are offset are as follows:

| Company | Gross carrying amounts US\$ | Gross amounts offset in the statement of financial position US\$ | Net amounts in the statement of financial position US\$ |
|--------------------------------------|--|---|--|
| <u>2019</u> | | | |
| Amount due to holding company | (27,337,881) | 1,212,014 | (26,125,867) |
| Amount due from related companies | 18,758,508 | (18,758,508) | - |
| Amount due to related companies | (17,546,494) | 17,546,494 | - |
| | <u>(26,125,867)</u> | <u>-</u> | <u>(26,125,867)</u> |
| <u>2018</u> | | | |
| Amount due to holding company | (24,924,521) | (26,872,927) | (51,797,448) |
| Amount due from related companies | 7,374,574 | (7,374,574) | - |
| Amount due to related companies | (34,247,501) | 34,247,501 | - |
| | <u>(51,797,448)</u> | <u>-</u> | <u>(51,797,448)</u> |

22 Operating Lease Commitments

As at 31 December 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in relation to office premises, which fall due as follows:

| | Group 2018 US\$ |
|-------------------|--------------------------------|
| Within one year | 128,754 |
| Between 2-5 years | 122,475 |
| | <u>251,229</u> |

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22 Operating Lease Commitments (cont'd)

Additionally, the Group charters its vessels under time charter parties which are treated as operating leases. As at 31 December 2018, the Group had contracted with third party vessel owners for the following future minimum lease payments:

| | |
|-----------------|---------------------|
| | <u>2018</u> US\$ |
| Within one year | <u>5,779,700</u> |

For lease term that ends within 12 months of the date of initial application of IFRS 16, 1 January 2019, the Group has elected to account for the lease in the same way as short-term lease and included the cost associated with the lease within the disclosure of short-term lease expense in the reporting period that includes the date of initial application.

23 Risk and Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Group's activities expose it to capital risk, market risk (including currency risk, interest rate risk and charter hire risk), credit risk and liquidity risk. The management reviews and monitors the policies for managing each of these risks and they are summarised below.

(i) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to operate as a going concern in order to provide adequate returns to the shareholder, to support the Group's stability and growth, and to provide capital for the purpose of strengthening the Group's financial management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The capital structure of the Group consists of share capital of US\$742,624 and unsecured amounts due to the parent Group of US\$26,125,867 (2018: US\$52,720,853).

The Group is not subject to any externally imposed capital requirements.

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23 Risk and Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(ii) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should there be a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and contract assets. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Group mainly transacts with high credit quality counterparties of at least an "A" rating by external credit rating companies, where the counterparties have AAA or AA credit ratings, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Group and the Company do not hold any collateral. The maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial instrument presented on the statement of financial position.

The movements in credit loss allowance for impairment are as follows:

| | <u>2019</u> US\$ | <u>2018</u> US\$ |
|-------------------------------------|---------------------|---------------------|
| As at 1 January | 465,297 | 1,480,963 |
| Allowance for impairment of | | |
| - trade receivables | 258,682 | - |
| - other receivables | - | - |
| Foreign currency revaluation | - | (26,249) |
| Written-back during the year | (650,268) | (989,417) |
| Written-off during the year | (391,452) | - |
| Write-off recovered during the year | 575,037 | - |
| As at 31 December | <u>257,296</u> | <u>465,297</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

23 Risk and Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(ii) *Credit risk* (cont'd)

Credit risk grading guideline

Management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk gradings which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

| Internal rating grades | Definition | Basis of recognition of expected credit loss (ECL) |
|-------------------------------|---|---|
| i. Performing | The counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| ii. Under-performing | There has been a significant increase in credit risk since initial recognition. | Lifetime ECL (not credit-impaired) |
| iii. Non-performing | There is evidence indicating that the asset is credit-impaired | Lifetime ECL (credit-impaired) |
| iv. Write-off | There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty. | Asset is written off |

Cash and cash equivalents

The cash and cash equivalents are entered into with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Trade receivables and contract assets

The Group uses a provision rate to measure the lifetime expected credit loss allowance for trade receivables and contract assets. In measuring the expected credit losses, trade receivables and contract assets are grouped based on their shared credit risk characteristics and numbers of days past due. The contract assets have substantially the same risk characteristics as the trade receivables from the same type of customers. Therefore, the Group has concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected credit losses on these financial assets are estimated using a provision rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Some of the Group's trade receivables are financed to banks, which are rated AA- to AA+ based on rating agency ratings, with no recourse to the Group.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

23 Risk and Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(ii) *Credit risk* (cont'd)

Trade receivables and contract assets (cont'd)

The Group's and the Company's credit risk exposure in relation to trade receivables under IFRS 9 as at 31 December 2019 are set out in the provision matrix as follows:

| | <u>Current**</u> US\$ | <u>Within 60 days**</u> US\$ | <u>61 to 90 days^</u> US\$ | <u>More than 90 days^^</u> US\$ | <u>Total</u> US\$ |
|---|--------------------------|-------------------------------------|-----------------------------------|--|----------------------|
| Group | | | | | |
| <u>Trade receivables</u> | | | | | |
| Expected loss rate | 0.27% | 1.36% | 0.00% | 76.10% | 1.13% |
| Trade receivables, amount due from agents, amount due from joint operations and contract assets | 18,106,712 | 1,638,927 | 203,687 | 205,534 | 20,154,860 |
| Allowance for impairment | 49,635 | 22,238 | - | 156,402 | 228,275 |
| Company | | | | | |
| <u>Trade receivables</u> | | | | | |
| Expected loss rate | 0.29% | 1.36% | 0.00% | 76.10% | 1.20% |
| Trade receivables, amount due from agents, amount due from joint operations and contract assets | 17,039,620 | 1,636,729 | 203,687 | 205,534 | 19,085,570 |
| Allowance for impairment | 49,635 | 22,238 | - | 156,402 | 228,275 |

** rated as performing

^ rated as under-performing

^^ rated as non-performing

For debts not past due, management has considered forward-looking information and determined that there is no significant increase in credit risk since initial recognition. Management has access to historical evidence that demonstrates that there is no correlation between a significant increase in the risk of a default occurring and financial assets on which payments are not past due.

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23 Risk and Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(ii) *Credit risk* (cont'd)

Credit risk exposure and significant credit risk concentration

The credit quality of the Group's other financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

| | <u>Internal credit rating</u> | <u>ECL</u> | <u>Gross carrying amount</u> US\$ | <u>Loss allowance</u> US\$ | <u>Net carrying amount</u> US\$ |
|---|-----------------------------------|-----------------|--|-----------------------------------|--|
| Group | | | | | |
| <u>2019</u> | | | | | |
| Other receivables (Note 16) | Note 1 | 12-month ECL | 366,507 | (29,022) | 337,485 |
| Amount due from related companies (Note 16) | Note 1 | 12-month ECL | 7,749,719 | - | 7,749,719 |
| <u>2018</u> | | | | | |
| Other receivables (Note 16) | Note 1 | 12-month ECL | 1,120,448 | (29,022) | 1,091,426 |
| Amount due from related companies (Note 16) | Note 1 | 12-month ECL | 13,139,967 | - | 13,139,967 |
| Company | | | | | |
| <u>2019</u> | | | | | |
| Other receivables (Note 16) | Performing | 12-month ECL | 277,282 | (29,022) | 248,260 |
| Amount due from related companies (Note 16) | Note 1 | 12-month ECL | 8,859,381 | - | 8,859,381 |
| <u>2018</u> | | | | | |
| Other receivables (Note 16) | Performing | 12-month ECL | 765,244 | (29,022) | 736,222 |
| Amount due from related companies (Note 16) | Note 1 | 12-month ECL | 15,732,671 | - | 15,732,671 |

Note 1 – The Group have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for non-performing assets. The details of the loss allowance for these financial assets are disclosed in Notes 16.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

23 Risk and Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(iii) *Interest rate risk*

The Group and the Company have cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group and the Company. The Group and the Company manage its interest rate risks by placing such balances on varying maturities and interest rate terms. The Group and the Company have no interest bearing financial liabilities.

(iv) *Currency risk*

The Group operates throughout Europe and South America. The Group regularly transacts in currencies other than their functional currency which is the United States dollar (USD).

Currency risk arises when transactions are denominated in foreign currencies. The Group did not use derivative financial instruments during the financial year to protect itself against the volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business. To manage the currency risk, the Group has maintained different foreign currency denominated bank accounts utilising them in the day to day operations to reduce the Group's exposure to foreign currency risk, and the management monitors exposure closely to ensure that the risk is minimised.

The Group's currency exposure based on the information provided to key management is as follows:

| | <u>Euro</u> US\$ | <u>Others</u> US\$ |
|-------------|---------------------|-----------------------|
| Group | | |
| <u>2019</u> | | |
| Net assets | 12,182,950 | 319,431 |
| | <hr/> | <hr/> |
| <u>2018</u> | | |
| Net assets | 16,632,975 | 523,219 |
| | <hr/> | <hr/> |

The Company's currency exposure based on the information provided to key management is as follows:

| | <u>Euro</u> US\$ | <u>Others</u> US\$ |
|-------------|---------------------|-----------------------|
| Company | | |
| <u>2019</u> | | |
| Net assets | 9,733,560 | 546,425 |
| | <hr/> | <hr/> |
| <u>2018</u> | | |
| Net assets | 14,895,355 | 662,272 |
| | <hr/> | <hr/> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

23 Risk and Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(iv) *Currency risk* (cont'd)

If exchange rates strengthened/weakened against the United States dollar by 10% with all other variables including tax rate being held constant, the profit arising from the net financial asset position will increase/(decrease) the results of the Group and the Company as follows:

| | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 |
|----------------|-------------------------|-------------------------|
| <u>Group</u> | | |
| Euro | 1,218 | 1,663 |
| Others | 32 | 52 |
| <u>Company</u> | | |
| Euro | 973 | 1,490 |
| Others | 55 | 66 |

A 10% strengthening of the United States dollar against Euro and others would have an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(v) *Liquidity risk*

The Group manages its liquidity risk by ensuring it has sufficient cash balances to meet its payment obligations as they fall due. In addition, the holding company has agreed to provide continuing financial support to the Group for the foreseeable future.

The Group closely monitors its exposure to liquidity risk by reviewing the cash position report weekly. As at 31 December 2019, all of the Group's financial liabilities, with the exception of the amount due to the holding company, are maturing in less than a year and the Group has adequate working capital to settle these current financial liabilities.

The holding company has agreed to provide continuing financial support and not to recall the amount due to them of US\$26,125,867 (2018: US\$52,720,853) as set out in Note 1(a).

(vi) *Charter hire risk*

The Group's earnings are exposed to rate fluctuations in the charter hire market. The Group's Fleet Management Department, with advice from ship brokers, monitors the charter hire market on an on-going basis. The Group fixes its charter rates and tenures that minimise the Group's exposure to charter hire market fluctuations.

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23 Risk and Financial Instruments (cont'd)

(b) Fair Value

The fair values of current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturities of these instruments.

(c) General

The Company is a limited liability company domiciled and incorporated in the United Kingdom. The Company's principal activities are the chartering of vessels for the purpose of providing container feeder and related services.

The address of its registered office is 60 Goswell Road, London, EC1M 7AD, United Kingdom.

24 Events after the Reporting Date

On 24 June 2020, a wholly-owned subsidiary of the Company was incorporated in Singapore. From September 2020, the Company has transferred its South European and Iberia Trade operations to the wholly-owned subsidiary. The transferred operations constitute 61% of the operations of the Company.