

HGC GLOBAL COMMUNICATIONS (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018
Registered number: 07407820

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HGC GLOBAL COMMUNICATIONS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors submit their report together with the audited financial statements of HGC Global Communications (UK) Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The principal activities of the Company are the provision of telecommunications, network and support services in the United Kingdom and the branch in Germany via a point-of-presence.

Results and dividends

The results of the Company for the year ended 31 December 2018 are set out in the statement of comprehensive income on page 9.

The directors do not recommend the payment of a dividend (2017: Nil).

Business review

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. Details of the financial risk management are set out in Note 3 to the financial statements.

Reserves

Movements in the reserves of the Company during the year ended 31 December 2018 are set out in the statement of changes in equity on page 10.

Property, plant and equipment

Details of the movements in property, plant and equipment are set out in Note 5 to the financial statements.

The impact of uncertainties due to Britain exiting the European Union

The directors are assessing the implications of Brexit but do not expect it to have a material impact on the business as they do not trade with Europe or, the counter measures they have put in place.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

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

Chee Song Chern
Chenhua Shen
Zhenhua Fan

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

Each of the directors who held office at the date of approval of this directors' report confirms that so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' interests in contracts

No contracts of significance in relation to the Company's business to which the Company, any of its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in equity or debt securities

At no time during the year was the Company, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Management contracts

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

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Independent auditors

The auditors, Mazars LLP, have indicated their willingness to continue in office.

On behalf of the board



Director

25 September 2019

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

Independent auditor's report

To the members of HGC Global Communications (UK) Limited

Opinion

We have audited the financial statements of HGC Global Communications (UK) Limited (the "Company") for the year ended 31 December 2018 which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 Company 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 other 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 opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 1. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy. We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to 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 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.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

Independent auditor's report

To the members of HGC Global Communications (UK) Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

Independent auditor's report

To the members of HGC Global Communications (UK) Limited

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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 so that we might state to the 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.



Timothy Hudson (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

One St Peter's Square

Manchester

M2 3DE

Date: 27 September 2019.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

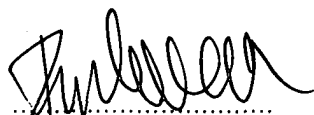
	Note	2018 GBP	2017 GBP
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,322,347	1,627,454
Prepaid capacity	6	12,621	15,465
Customer acquisition and retention costs	7	19,143	-
Total non-current assets		1,354,111	1,642,919
Current assets			
Customer acquisition and retention costs	7	187,144	-
Trade receivables	8	227,087	537,106
Deposits, prepayments and other receivables	8	464,054	181,159
Amounts due from fellow subsidiary	13	351,490	-
Cash and cash equivalents		305,002	833,603
Total current assets		1,534,777	1,551,868
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	10	179,948	211,154
Provision for other liability	11	15,418	8,995
Total non-current liabilities		195,366	220,149
Current liabilities			
Trade payables	12	728,713	1,023,241
Accruals and other payables	12	325,300	298,173
Current income tax liabilities		119,042	61,311
Amounts due to immediate holding company	13	25,515	25,515
Amounts due to intermediate holding company	13	724	-
Amounts due to fellow subsidiary	13	-	425,750
Total current liabilities		1,199,294	1,833,990
Net assets		1,494,228	1,140,648

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	2018 GBP	2017 GBP
CAPITAL AND RESERVES			
Share capital	9	2	2
Retained earnings		1,494,226	1,140,646
Total equity		<u>1,494,228</u>	<u>1,140,648</u>

The financial statements on pages 7 to 40 were approved by the Board of Directors on
25 September 2019 and were signed on its behalf by:



.....
Director
HGC Global Communications (UK) Limited
Registered number: 07407820

The notes on pages 11 to 40 are an integral part of these financial statements.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 GBP	2017 GBP
Revenue	14	4,975,482	4,905,017
Cost of services	15	(2,233,495)	(2,544,528)
Gross profit		<u>2,741,987</u>	<u>2,360,489</u>
Operating expenses	15	(2,436,141)	(1,914,362)
Operating profit		<u>305,846</u>	<u>446,127</u>
Finance cost	18	(295)	(217)
Profit before taxation		<u>305,551</u>	<u>445,910</u>
Taxation	19	(98,790)	(102,835)
Profit and total comprehensive income for the year		<u><u>206,761</u></u>	<u><u>343,075</u></u>

The notes on pages 11 to 40 are an integral part of these financial statements.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital GBP	Retained earnings GBP	Total equity GBP
At 1 January 2017	2	797,571	797,573
Profit and total comprehensive income for the year	-	343,075	343,075
At 31 December 2017	<u>2</u>	<u>1,140,646</u>	<u>1,140,648</u>
At 1 January 2018, as originally presented	2	1,140,646	1,140,648
Changes in accounting policies (Note 2.3(c))	-	146,819	146,819
At 1 January 2018, as restated	<u>2</u>	<u>1,287,465</u>	<u>1,287,467</u>
Profit and total comprehensive income for the year	-	206,761	206,761
At 31 December 2018	<u>2</u>	<u>1,494,226</u>	<u>1,494,228</u>

The notes on pages 11 to 40 are an integral part of these financial statements.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GBP	2017 GBP
Cash flows from operating activities			
Profit before taxation		305,551	445,910
Adjustments for:			
Depreciation of property, plant and equipment	5	350,348	116,421
Amortisation of customer acquisition and retention costs	7	220,817	-
Amortisation of prepaid capacity	6	2,844	3,268
Gain on disposal of property, plant and equipment	15	(35,000)	-
Interest expense	18	295	217
Changes in working capital:			
Increase in customer acquisition and retention costs		(280,285)	-
Decrease/(Increase) in trade receivables		310,019	(484,315)
(Increase)/Decrease in deposits, prepayments and other receivables		(282,895)	46,264
(Decrease)/Increase in trade payables		(294,528)	882,969
Increase/(Decrease) in accruals and other payables		27,127	(602,890)
(Decrease)/Increase in amounts due to fellow subsidiary		(425,750)	250,579
Increase in amounts due from fellow subsidiary		(351,490)	-
Increase in amounts due to intermediate holding company		724	-
Cash (used in)/generated from operations		(452,223)	658,423
Tax paid		(72,265)	(5,129)
Net cash (used in)/generated from operating activities		(524,488)	653,294
Cash flows from investing activity			
Purchase of property, plant and equipment		(39,113)	(207,511)
Sales proceeds on disposal of property, plant and equipment		35,000	-
Net cash used in investing activity		(4,113)	(207,511)
Net (decrease)/increase in cash and cash equivalents		(528,601)	445,783
Cash and cash equivalents at beginning of year		833,603	387,820
Cash and cash equivalents at end of year		305,002	833,603
Analysis of cash and cash equivalents			
Cash at bank		305,002	833,603

The notes on pages 11 to 40 are an integral part of these financial statements.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information

HGC Global Communications (UK) Limited (the "Company") is a limited liability company incorporated and domiciled in the United Kingdom (the "UK"). The address of its registered office is Suite G:02A, 2 Exchange Tower, Harbour Exchange Square, London E14 9GE.

The Company is principally engaged in the provision of telecommunications, network and support services in the UK and Germany via a point-of-presence.

These financial statements are presented in British Pound Sterlings ("GBP"), unless otherwise stated. These financial statements have been approved for issuance by the Board of Directors on

On 29 July 2017, Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH", incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), a former intermediate holding company of the Company and Asia Cube Global Communications Limited ("ACG", incorporated in the Cayman Islands) entered into a Sale and Purchase Agreement pursuant to which HTHKH agreed to sell its entire interest of HGC Global Communications Investment Holding Limited ("HGC IHL", an intermediate holding company of the Company, to ACG (the "Acquisition"). The Acquisition was completed on 3 October 2017 and ACG became an intermediate holding company of the Company.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), IFRS IC Interpretations as adopted by the European Union ("EU") and the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared under the historical cost convention. The preparation of the financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Amendments to existing standards adopted by the Company

During the year, the Company has adopted the following standards and amendments to existing standards which are relevant to the Company's operations and are effective for accounting periods beginning on 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Save as disclosed in Note 2.3, the adoption of other new/revised standards and amendments to existing standards and interpretations does not have a material impact to the Company's results of operations and financial position.

2.3 Change in accounting policies

This note describes the new accounting policies that have been applied by the Company from 1 January 2018 and explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the financial statements.

(a) IFRS 9 *Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

From 1 January 2018, the Company has adopted IFRS 9 retrospectively without restating comparative information.

The financial assets which were classified as loans and receivables before 1 January 2018 were reclassified as debt instruments measured at amortised cost. There is no significant effect on the classification and measurement of the financial liabilities as at 1 January 2018.

The adoption of IFRS 9 does not have a material impact to the Company, except for the methodology of impairment of financial assets. The new accounting policies are set out in Note 2.8 while Note 3.1(a) provide details about the calculation of the loss allowances.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Change in accounting policies (Continued)

(b) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of incremental cost of obtaining service contracts. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied.

The Company has elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018.

The Company has elected to adopt a modified retrospective approach for transition to the new standard which allows the Company to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the retained earnings as at 1 January 2018.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Change in accounting policies (Continued)

(c) Impact on the financial statements

See note 2.15 revenue recognition for the revenue policy. The following tables illustrate the amounts by each financial statements line item affected in current year by the application of IFRS 15 as compared to IAS 18 and IAS 11 that were previously in effect before the adoption of IFRS 15:

For the Year Ended 31 December 2018

Statement of Comprehensive Income	Reported under current accounting policies GBP	Effect of IFRS 15 GBP	Balance without the adoption of IFRS 15 GBP
Revenue	4,975,482	65,415	5,040,897
Cost of services	(2,233,495)	-	(2,233,495)
Gross profit	2,741,987	65,415	2,807,402
Operating expenses	(2,436,141)	(59,468)	(2,495,609)
Operating profit	305,846	5,947	311,793
Finance cost	(295)	-	(295)
Profit before taxation	305,551	5,947	311,498
Taxation	(98,790)	-	(98,790)
Profit and total comprehensive income for the year	206,761	5,947	212,708

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Change in accounting policies (Continued)

(c) Impact on the financial statements (Continued)

Statement of Financial Position	31 December 2017 As originally presented GBP	Effect of IFRS 15 GBP	1 January 2018 Restated GBP
ASSETS			
Non-current assets			
Property, plant and equipment	1,627,454	-	1,627,454
Prepaid capacity	15,465	-	15,465
Customer acquisition and retention costs	-	12,551	12,551
Total non-current assets	1,642,919	12,551	1,655,470
Current assets			
Cash and cash equivalents	833,603	-	833,603
Trade receivables	537,106	-	537,106
Deposits, prepayments and other receivables	181,159	-	181,159
Customer acquisition and retention costs	-	134,268	134,268
Total current assets	1,551,868	134,268	1,686,136
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	211,154	-	211,154
Provision for other liability	8,995	-	8,995
Total non-current liabilities	220,149	-	220,149
Current liabilities			
Trade payables	1,023,241	-	1,023,241
Accruals and other payables	298,173	-	298,173
Current income tax liabilities	61,311	-	61,311
Amounts due to immediate holding company	25,515	-	25,515
Amounts due to fellow subsidiary	425,750	-	425,750
Total current liabilities	1,833,990	-	1,833,990
Net assets	1,140,648	146,819	1,287,467
CAPITAL AND RESERVES			
Share capital	2	-	2
Retained earnings	1,140,646	146,819	1,287,465
Total equity	1,140,648	146,819	1,287,467

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Change in accounting policies (Continued)

(c) Impact on the financial statements (Continued)

Accounting for costs to obtain a contract

In previous reporting periods, incremental commission expenses paid to internal sales personnel and external agents in conjunction with obtaining telecommunications service contracts under contracts were recognised in the statement of comprehensive income as incurred.

Following the adoption of IFRS 15, on 1 January 2018, the current and non-current assets are increased by GBP12,551 and GBP134,268 respectively, which resulted from the capitalisation of incremental commission as customer acquisition and retention costs. These resulted the net adjustment to retained earnings of GBP146,819.

2.4 New/revised standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company

At the date of approval of these financial statements, the following new/revised standards and amendments to existing standards and interpretations have been issued but are not yet effective for the year ended 31 December 2018:

IFRSs (Amendments) ⁽ⁱ⁾	Annual Improvements 2015 - 2017 Cycle in relation to IFRS 3 <i>Business Combination</i> , IFRS 11 <i>Joint Arrangements</i> and IAS 23 <i>Borrowing Costs</i>
IAS 1 and IAS 8 (Amendments) ⁽ⁱⁱ⁾	Definition of Material
IAS 19 (Amendments) ⁽ⁱ⁾	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments) ⁽ⁱ⁾	Long-term Interests in Associates and Joint Ventures
IFRS 3 (Amendments) ⁽ⁱⁱ⁾	Definition of a Business
IFRS 9 (Amendments) ⁽ⁱ⁾	Prepayment Features with Negative Compensation
IFRS 10 and IAS 28 (Amendments) ^(iv)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 16 ⁽ⁱ⁾	Leases
IFRS 17 ⁽ⁱⁱⁱ⁾	Insurance Contracts
IFRIC 23 ⁽ⁱ⁾	Uncertainty over Income Tax Treatments

(i) Effective for annual periods beginning on or after 1 January 2019

(ii) Effective for annual periods beginning on or after 1 January 2020

(iii) Effective for annual periods beginning on or after 1 January 2021

(iv) No mandatory effective date yet determined but is available for adoption

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 New/revised standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company (Continued)

IFRS 16 Leases

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The new leases standard is mandatory for the Company's financial statements for annual periods beginning on or after 1 January 2019. The Company will adopt this new standard from 1 January 2019. IFRS 16 replaces existing leases guidance, including 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*.

The new standard provides a single, on statement of financial position lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the statement of financial position, as the distinction between operating and finance leases is removed. Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in an income statement expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Company's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Company's overall lease portfolio in that year.

As a lessee, the Company can either apply the standard using a full retrospective approach, or a modified retrospective approach with optional practical expedients.

In view of the costs and massive complexity involved of applying the full retrospective approach, the Company elected the modified retrospective approach. Under the modified retrospective approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 16 is the first day of the annual reporting period in which the Company first applies the requirement of IFRS 16, i.e. 1 January 2019; and (iii) the Company recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2019.

When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 New/revised standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company (Continued)

IFRS 16 will affect primarily the accounting for the Company's operating leases. The Company has not yet quantified to what extent these changes will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows on adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the future economic conditions, including the Company's incremental borrowing rate at 1 January 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions allowed under the modified retrospective adoption approach.

The adoption of other standards and amendments listed above in future periods is not expected to have any material impact on the Company's results of operations and financial position.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in GBP, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Property, plant and equipment are depreciated on a straight-line basis, at rates sufficient to write off their costs to their residual values over their estimated useful lives.

Network equipment	15 – 20 years
Leasehold improvements	Over the unexpired period of the lease or at annual rate of 15%, whichever is the shorter
Office furniture and equipment and computer equipment	5 – 7 years

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

Subsequent costs on property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if applicable, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Operating expenses" in the statement of comprehensive income.

2.7 Prepaid capacity

Telecommunications capacity leased on an operating lease basis is amortised on a straight-line basis from the date that the related capacity is activated over the term of the operating lease agreement.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow (i.e. cash generating unit). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets and liabilities

From 1 January 2018, the Company classifies all of its financial assets as financial instruments measured at amortised cost including trade receivables, other receivables, prepayments and deposits. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

(i) Debt instruments measured at amortised cost

Financial 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. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented in net basis as “loss allowance” within “other operating expenses” in the statement of comprehensive income.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchasing or selling the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(ii) Impairment of financial assets

From 1 January 2018, the Company recognises loss allowances for expected credit losses (“ECL”) on financial assets that are measured at amortised cost (including bank balances and cash and trade and other receivables) to which the impairment requirements apply in accordance with IFRS 9. At each reporting date, the Company measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

For trade receivables, the Company applies a simplified approach in calculating ECL. The Company will recognise a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(iii) Financial assets

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Company's financial liabilities include trade payables, accrued charges and amount due to related companies. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

(iv) Accounting policies applied until 31 December 2017

The Company classified its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and with no intention of trading. They were included in current assets, except for the amounts that were settled or expected to be settled more than 12 months after the end of the reporting period which were classified as non-current assets.

Regular way purchases and sales of financial assets were recognised on trade-date, the date on which the Company committed to purchasing or selling the asset. Financial assets were derecognised when the rights to receive cash flows from the financial assets had expired or had been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

(iv) Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment of financial assets

The Company assesses at each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. Financial assets were impaired and impairment losses were incurred only if there was objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets had been impacted. For financial assets carried at amortised cost, the amount of the impairment was the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset was reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount was reduced through the use of a provision account. A provision for doubtful debts of trade receivables was established when there was objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivable. The amount of provision was determined based on historical data of payment statistics for aged receivable balances. When a trade receivable was uncollectible, it was written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off were credited against the statement of comprehensive income. Changes in the carrying amount of the provision account were recognised in the statement of comprehensive income.

2.10 Trade and other payables

Trade and other payables are financial liabilities recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and all demand deposits placed with banks with original maturities of three months or less from the date of placement or acquisition.

2.12 Share capital

Ordinary shares are classified as equity.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the management's best estimate of the expenditures required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Taxation and deferred taxation

Taxation is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences (including tax losses) can be utilised.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.15 Revenue recognition

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised service to a customer at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties and is after deduction of any trade discounts. An asset is transferred when (or as) the customer obtains control of that asset.

The Company recognises revenue on the following bases:

Revenue from provision of network and support services is recognised over time in the accounting period in which the services are rendered. Revenue is presented, net of goods and service tax.

For contracts that are charged based on cost incurred and usage, revenue is recognised over time when services are rendered. Provided the outcome of the performance obligation can be reasonably measured, the Company recognised service fee income from a fellow subsidiary based on cost incurred plus margin. Customers are invoiced on a quarterly basis. The credit period granted by the Company to customers is 30 days.

Incremental costs of obtaining revenue contracts which the Company expects to recover the costs are capitalised as contract costs assets. For cost incurred to fulfil revenue contracts which provision of network and support service have yet to take place, the Company capitalise these as contract costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Company can specifically identify; (b) these cost generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised at the point in time where the Company recognises the related revenue. An impairment loss is recognised in the profit or loss to the extent the carrying amount of capitalised contract costs exceed the expected remaining consideration less any directly related costs not yet recognised.

Accounting policies applied until 31 December 2017

Revenue from provision of telecommunications, network and support services is recognised when the services are rendered and accepted by the customers and the collectability of the related receivable is reasonably assured. Revenue is presented, net of goods and service tax.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.17 Employee benefits

The Company's contributions to the defined contribution plans are charged to the statement of comprehensive income in the period incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Company has no further payment obligations once the contributions have been paid.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk arises from cash at banks, trade receivables, deposits and other receivables, and amounts due from fellow subsidiary.

Risk management

Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

For banks and financial institutions, only independently rated parties with sound credit rating are accepted.

The Company controls its credit risk by assessing the credit quality of the counterparties, taking into account their equity share price movements, credit ratings, past experience and other factors, in measuring the expected credit loss. Individual limits are set by the management with regular monitoring.

The credit period granted by the Company to customers is generally 30 days. The utilisation of credit limits is regularly monitored. Debtors who have overdue accounts are requested to settle all outstanding balances before any further credit is granted. The concentration of credit risk with respect to trade receivables is minimal as sales are made to the customer with an appropriate credit history and are mainly settled in cash.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

The Company considers its maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2018 GBP	2017 GBP
Cash at banks	305,002	833,603
Trade receivables	227,087	537,106
Other receivables	36,440	-
Current deposits	107,693	100,069
Amounts due from fellow subsidiary	351,490	-
	<u>1,027,712</u>	<u>1,470,778</u>

The Company has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables from the provision of network and support services under contract; and
- other financial assets at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(i) Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss against trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on economic trend that affects the ability of the customers to settle the receivables.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(i) Trade receivables (Continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 was determined as follows for trade receivables which were past due:

31 December 2018	Expected loss rate	Gross carrying amount GBP	Loss allowance GBP
Not yet due	0%	2,039	-
Past due 1 – 30 days	0%	29,774	-
Past due 31 – 60 days	0%	86,825	-
Past due 61 – 90 days	0%	58,875	-
Past due over 90 days	0%	49,574	-
		<u>227,087</u>	<u>-</u>
1 January 2018 (Restated)	Expected loss rate	Gross carrying amount GBP	Loss allowance GBP
Not yet due	0%	210,662	-
Past due 1 – 30 days	0%	26,718	-
Past due 31 – 60 days	0%	39,166	-
Past due 61 – 90 days	0%	28,817	-
Past due over 90 days	0%	231,743	-
		<u>537,106</u>	<u>-</u>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on trade receivables are presented in net basis as "loss allowance" within "other operating expenses" in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, deposits and amount due from a fellow subsidiary. These financial assets are considered to be low credit risk as the counterparty has capacity to meet its contractual cash flow obligation. Therefore, applying the expected credit risk model resulted in an immaterial impact on the provision for doubtful debts for these financial assets.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the continuing financial support from an intermediate holding company.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	2018 Less than 1 year GBP	2017 Less than 1 year GBP
At 31 December		
Trade payables	728,713	1,023,241
Other payables	-	28,626
Amounts due to immediate holding company	25,515	25,515
Amounts due to intermediate holding company	724	-
Amounts due to fellow subsidiary	-	425,750

3.2 Capital risk management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders, by pricing products and services commensurately with the level of risk.

The Company defines capital as total equity attributable to issued share capital and reserves, as shown in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Fair value estimation

The carrying amounts of cash and cash equivalents, trade receivables and balances with related parties are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

Significant estimates and assumptions concerning the future may be required in selecting and applying accounting methods and policies in these financial statements. The Company bases its estimates and assumptions on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates or assumptions. The following is a review of the more significant estimates and assumptions used in the preparation of these financial statements.

(a) Estimate of useful life of property, plant and equipment

The Company makes estimates and assumptions over the useful life of property, plant and equipment. At the end of the reporting period, both internal and external sources of information are considered to assess whether the estimated useful life of property, plant and equipment are appropriate and relevant. If there has been a significant change in the expected pattern of economic benefits for these property, plant and equipment, the depreciation method should be changed to reflect the changed pattern and such change should be accounted for as a change in accounting estimate and the depreciation charge for the current and future periods should be adjusted.

(b) Asset impairment for property, plant, equipment and prepaid capacity

Management judgement is required in the area of asset impairment, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Company's reported financial condition and results of operations.

Management are not aware of any events or circumstance indicates that the carrying amount may not be recoverable, and takes consideration into the early stage of business, no impairment assessment for the property, plant and equipment or prepaid capacity is considered as necessary for the financial year ended 31 December 2018.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Loss allowance for ECL

The Company's management estimates the loss allowance for trade receivables and contract assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Company's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and contract assets. Details of the key assumption and inputs used in estimating ECL are set out in note 3.1 to the financial statements.

(d) Income taxes

The Company is subject to income taxes in the UK and Germany. Significant judgement is required in determining the provision for income taxes in the UK and Germany. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment

	Network equipment GBP	Leasehold improvements GBP	Office furniture and equipment and computer equipment GBP	Construction in progress GBP	Total GBP
Year ended 31 December 2017					
Opening net book amount	1,518,621	3,146	10,085	-	1,531,852
Additions	163,875	4,512	15,010	28,626	212,023
Depreciation (Note 15)	(106,169)	(5,462)	(4,790)	-	(116,421)
Closing net book amount	1,576,327	2,196	20,305	28,626	1,627,454
At 31 December 2017					
Cost	2,102,500	14,639	31,331	28,626	2,177,096
Accumulated depreciation	(526,173)	(12,443)	(11,026)	-	(549,642)
Net book amount	1,576,327	2,196	20,305	28,626	1,627,454
Year ended 31 December 2018					
Opening net book amount	1,576,327	2,196	20,305	28,626	1,627,454
Additions	-	6,128	39,113	-	45,241
Transfer	-	-	28,626	(28,626)	-
Depreciation (Note 15)	(334,275)	(2,992)	(13,081)	-	(350,348)
Closing net book amount	1,242,052	5,332	74,963	-	1,322,347
At 31 December 2018					
Cost	1,761,032	20,767	99,070	-	1,880,869
Accumulated depreciation	(518,980)	(15,435)	(24,107)	-	(558,522)
Net book amount	1,242,052	5,332	74,963	-	1,322,347

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 Prepaid capacity

	Activated capacity GBP
Year ended 31 December 2017	
Opening net book amount	18,733
Amortisation (Note 15)	(3,268)
	<hr/>
Closing net book amount	15,465
	<hr/>
At 31 December 2017	
Cost	40,293
Accumulated amortisation	(24,828)
	<hr/>
Net book amount	15,465
	<hr/>
Year ended 31 December 2018	
Opening net book amount	15,465
Amortisation (Note 15)	(2,844)
	<hr/>
Closing net book amount	12,621
	<hr/>
At 31 December 2018	
Cost	40,293
Accumulated amortisation	(27,672)
	<hr/>
Net book amount	12,621
	<hr/>

7 Customer acquisition and retention costs

	GBP
At 1 January 2017 and 31 December 2017	
Cost	-
Accumulated amortisation	-
	<hr/>
Net book value	-
	<hr/>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Customer acquisition and retention costs (Continued)

	GBP
Year ended 31 December 2018	
Opening net book value, as originally presented	-
Changes in accounting policies (Note 2.3(c))	146,819
	<hr/>
At 1 January 2018, as restated	146,819
Additions	280,285
Amortisation for the year (Note 15)	(220,817)
	<hr/>
Closing net book value	206,287
	<hr/>
At 31 December 2018	
Cost	670,356
Accumulated amortisation	(464,069)
	<hr/>
Net book value	206,287
	<hr/>

	31 December 2018 GBP	1 January 2018 GBP
Non-current portion	19,143	12,551
Current portion	187,144	134,268
	<hr/>	<hr/>
	206,287	146,819
	<hr/>	<hr/>

8 Trade receivables and deposits, prepayments and other receivables

	2018 GBP	2017 GBP
Trade receivables, net of loss allowance	227,087	537,106
Deposits, prepayments and other receivables	464,054	181,159
	<hr/>	<hr/>
	691,141	718,265
	<hr/>	<hr/>

The carrying amounts of the Company's trade receivables and deposits, prepayments and other receivables are denominated in GBP.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 Trade receivables and deposits, prepayments and other receivables (Continued)

(a) Trade receivables, net of loss allowance

The ageing analysis of trade receivables, net of loss allowance, is as follows:

	2018 GBP	2017 GBP
0 - 30 days	2,039	210,662
31 - 60 days	29,774	26,718
61 - 90 days	86,825	39,166
Over 90 days	108,449	260,560
	<u>227,087</u>	<u>537,106</u>

The carrying values of trade receivables approximate their fair values. The concentration of credit risk with respect to trade receivables is minimal as sales are made to the customer with an appropriate credit history and are mainly settled in cash.

(b) Deposits, prepayments and other receivables

The carrying values of deposits, prepayments and other receivables approximate their fair values. Deposits, prepayments and other receivables do not contain impaired assets. The maximum exposure to credit risk is the carrying value of each class of financial assets mentioned above. The Company does not hold any collateral as security.

9 Share capital

	2018 GBP	2017 GBP
Issued and fully paid:		
2 (2017: 2) ordinary shares of GBP1 each	<u>2</u>	<u>2</u>

10 Deferred tax liabilities

Deferred taxation is calculated in full on temporary differences under the liability method at the rate of 17% (2017: Same), which was substantively enacted at the balance sheet date.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Deferred tax liabilities (Continued)

The movement in deferred tax liabilities during the year, without taking into consideration of the offsetting of balances within the same taxation jurisdiction, is as follows:

	Accelerated depreciation GBP	Tax losses GBP	Total GBP
At 1 January 2017	186,456	(12,894)	173,562
Charged to statement of comprehensive income (Note 19)	24,698	12,894	37,592
At 31 December 2017	<u>211,154</u>	<u>-</u>	<u>211,154</u>
At 1 January 2018	211,154	-	211,154
Credited to statement of comprehensive income (Note 19)	(31,206)	-	(31,206)
At 31 December 2018	<u>179,948</u>	<u>-</u>	<u>179,948</u>

11 Provision for other liability

Asset retirement obligations:

	2018 GBP	2017 GBP
At 1 January	8,995	4,266
Addition	6,128	4,512
Accretion cost (Note 18)	295	217
At 31 December	<u>15,418</u>	<u>8,995</u>
Analysis of provision at 31 December		
Non-current	<u>15,418</u>	<u>8,995</u>

12 Trade payables and accruals and other payables

	2018 GBP	2017 GBP
Trade payables	728,713	1,023,241
Accruals and other payables	325,300	298,173
	<u>1,054,013</u>	<u>1,321,414</u>

The carrying values of trade and other payables approximate their fair values.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Balances with related companies

All balances with the immediate holding company, intermediate holding company and fellow subsidiary is unsecured, interest-free and repayable on demand.

14 Revenue

The Company derives revenue from the provision of network and support services and recognise it as revenue over time base on the satisfaction of performance obligations.

	2018 GBP	2017 GBP
Revenue from contracts with customers within IFRS 15		
Support service fee (Note 22(a))	2,434,052	2,102,442
Network service revenue	2,541,430	2,802,575
	<u>4,975,482</u>	<u>4,905,017</u>

Network service revenue was from an external party of GBP388,581 (2017: GBP649,309) and from a fellow subsidiary of GBP2,152,849 (2017: GBP2,153,266) (Note 22(a)).

At the balance sheet date, the Company does not have any unsatisfied support service contract.

15 Expenses by nature

Expenses included in cost of services, administrative expenses and other operating expenses are analysed as follows:

	2018 GBP	2017 GBP
Cost of services	2,233,495	2,544,528
Depreciation and amortisation		
- property, plant and equipment (Note 5)	350,348	116,421
- prepaid capacity (Note 6)	2,844	3,268
- customer acquisition and retention costs (Note 7)	220,817	-
Employee benefit expenses (Note 16)	1,261,129	1,241,347
Exchange (gains)/losses, net	(4,811)	17,750
Gain on disposal of property, plant and equipment	(35,000)	-
Operating leases in respect of:		
- buildings	77,815	50,917
- others	-	189,620
Auditor's remuneration	36,207	35,866
Other expenses	526,792	259,173
	<u>4,669,636</u>	<u>4,458,890</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Employee benefit expenses

	2018 GBP	2017 GBP
Wages and salaries	1,180,508	963,451
Social security costs	163,582	123,653
Other pension costs	64,436	44,340
Staff benefits	132,888	109,903
Less: Amounts capitalised as customer acquisition and retention costs	(280,285)	-
	<u>1,261,129</u>	<u>1,241,347</u>

The monthly average number of employees for the Company during the year was:

	2018 Average number	2017 Average number
Operations	15	13
	<u>15</u>	<u>13</u>

17 Directors' emoluments

None of the directors received or will receive any fees or emoluments in respect of their services to the Company during the year (2017: Nil).

18 Finance cost

	2018 GBP	2017 GBP
Accretion costs on asset retirement obligations (Note 11)	<u>295</u>	<u>217</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Taxation

For the year ended 31 December 2018, taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which Company operates.

	2018 GBP	2017 GBP
Current taxation		
Current year	129,460	65,153
Adjustments in respect of prior years	536	90
	<hr/>	<hr/>
Total current taxation charge	129,996	65,243
	<hr/>	<hr/>
Deferred taxation		
Current year (Note 10)	(31,206)	37,592
	<hr/>	<hr/>
Total taxation charge	<u>98,790</u>	<u>102,835</u>

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company as follows:

	2018 GBP	2017 GBP
Profit before taxation	305,551	445,910
	<hr/>	<hr/>
Profit multiplied by, the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	58,055	85,838
Effect of:		
Income not subject to tax	(2,197)	(987)
Expenses not deductible for tax purpose	-	3,762
Underprovision in prior years	5,403	12,985
Impact on initial application of IFRS 15	27,896	-
Adjustments in respect of foreign taxes	5,389	4,507
Rate difference on deferred taxation	4,244	(3,270)
	<hr/>	<hr/>
Total taxation charge	<u>98,790</u>	<u>102,835</u>

The Company's corporation tax rate for the year ended 31 December 2018 is 19% (2017: 19.25%). The Finance Act 2017 reduced the main rate of corporation tax from 20% to 19% as of 1 April 2018.

The net deferred tax liabilities of GBP179,948 at 31 December 2018 (2017: GBP211,154) relates to timing differences (2017: same). Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2017. These include reductions to the main rate to 17% as of 1 April 2020. These reductions in main rate were substantively enacted at the balance sheet date and have been used to calculate the deferred tax assets/(liabilities).

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21 Ultimate controlling party

The Company is a wholly-owned subsidiary of World Diversity Limited (incorporated in the Commonwealth of The Bahamas).

The intermediate holding companies of the Company are ACG and HGCIHL.

As at 31 December 2018 and 2017, ACG was owned as to approximately 75.1% by Asia Cube Telecom Holdings LLC ("ACT", incorporated in the Cayman Islands) through an intermediary. The directors regarded ACT as the ultimate holding company of the Company.

22 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

Before the Acquisition:

HTHKH Group - HTHKH together with its direct and indirect subsidiaries and joint ventures

After the Acquisition:

ACG Group - ACG together with its direct and indirect subsidiaries

(a) Transactions with fellow subsidiaries:

	2018 GBP	2017 GBP
HTHKH Group		
Support service fee (Note 14)	-	1,554,620
Network service revenue (Note 14)	-	1,546,942
Telecommunications service charge	-	(374,178)
	<u> </u>	<u> </u>
ACG Group		
Support service fee (Note 14)	2,434,052	547,822
Network service revenue (Note 14)	2,152,849	606,324
Telecommunications service charge	(353,201)	(216,104)
	<u> </u>	<u> </u>

(b) Key management personnel remuneration

Key management personnel are deemed to be the members of the Board of Directors of the Company who are responsible for the planning, directing and controlling the activities of the Company. Key management remuneration is disclosed in Note 17.