

HGC GLOBAL COMMUNICATIONS (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020
Registered number: 07407820



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HGC GLOBAL COMMUNICATIONS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

Principal activities

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

Results and dividends

The results of the Company for the year ended 31 December 2020 are set out in the statement of comprehensive income on page 9.

The directors do not recommend the payment of a dividend (2019: 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 2020 are set out in the statement of changes in equity on page 12.

Property, plant and equipment

Details of the movements in property, plant and equipment are set out in Note 11 to the financial statements.

Impact of uncertainties due to Britain existing the European Union and the outbreak of COVID-19 on the financial statements

The directors have assessed the implications of Brexit but do not expect it to have a material impact on the business as the Company conducts business mainly in the UK.

The scale of the COVID-19 outbreak prompted the World Health Organization to declare the virus a pandemic on 11 March 2020. Since then, the crisis has had an unprecedented impact on all areas of business, society and everyday life worldwide. In many countries, companies were closed, and production was shut down. However, the Company recorded a steady performance for the year ended 31 December 2020, even as the COVID-19 pandemic persisted throughout the year and severely disrupted normal economic activities and lives around the world. The results attest to the ability of our core businesses to adapt quickly to the challenging operating environment and continue to deliver trusted services to our customers in the UK and Germany.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Impact of the outbreak of COVID-19 on the financial statements (Continued)

There is no material impact on financial position, cash flows and operating results of the Company. The company's forecasts, projections and sensitivity analysis performed on a range of significant yet plausible scenarios, show that the company should be able to operate within the working capital facilities available to it for at least 12 months from the date of approval of the financial statements. The company therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

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

Chee Song Chern	(resigned on 22 April 2020)
Chenhua Shen	
Zenhua Fan	
Darrin John Webb	(appointed on 22 April 2020)

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.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Disclosure of information to the auditor

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 auditor 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 auditor are aware of that information.

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 auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the board



Director - Darrin John WEBB
11-Feb-2022

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 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended; and
- have been properly prepared in accordance with international accounting standards in conformity 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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 has 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation, employment regulation and health and safety regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance and revenue recognition (which we pinpointed to the cut-off of costs).

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.



Tim Hudson (Mar 3, 2022 17:47 GMT)

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 Mar 3, 2022

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 GBP	2019 GBP
Revenue	5	5,144,770	4,767,839
Cost of services	6	<u>(2,466,564)</u>	<u>(2,059,317)</u>
Gross profit		2,678,206	2,708,522
Operating expenses	6	<u>(2,179,098)</u>	<u>(2,226,200)</u>
Operating profit		499,108	482,322
Finance cost	9	<u>(7,555)</u>	<u>(10,629)</u>
Profit before taxation		491,553	471,693
Taxation	10	<u>(98,272)</u>	<u>(106,821)</u>
Profit and total comprehensive income for the year		<u><u>393,281</u></u>	<u><u>364,872</u></u>

The notes on pages 14 to 39 are an integral part of these financial statements.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 GBP	2019 GBP
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,420,282	1,483,811
Right-of-use assets	12	114,583	171,875
Prepaid capacity	13	6,886	9,755
Customer acquisition and retention costs	14	12,820	-
Total non-current assets		<u>1,554,571</u>	<u>1,665,441</u>
Current assets			
Customer acquisition and retention costs	14	158,384	190,374
Trade receivables	15	46,094	51,784
Deposits, prepayments and other receivables	15	514,362	443,681
Amount due from a fellow subsidiary	20	1,062,162	1,130,653
Tax recoverable	15	76,766	124,553
Cash and cash equivalents		259,001	340,171
Total current assets		<u>2,116,769</u>	<u>2,281,216</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	236,148	240,820
Provision for other liability	18	16,240	15,917
Lease liabilities	21	75,993	129,331
Total non-current liabilities		<u>328,381</u>	<u>386,068</u>
Current liabilities			
Trade payables	19	517,418	511,000
Accruals and other payables	19	353,104	276,495
Amount due to the immediate holding company	20	203,719	880,675
Amount due to an intermediate holding company	20	724	724
Lease liabilities	21	53,343	70,325
Total current liabilities		<u>1,128,308</u>	<u>1,739,219</u>
Net assets		<u>2,214,651</u>	<u>1,821,370</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

**STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2020**

	Note	2020 GBP	2019 GBP
CAPITAL AND RESERVES			
Share capital	16	2	2
Retained earnings		<u>2,214,649</u>	<u>1,821,368</u>
Total equity		<u><u>2,214,651</u></u>	<u><u>1,821,370</u></u>

The financial statements on pages 9 to 39 were approved by the Board of Directors on _____ and were signed on its behalf by:



11-Feb-2022

.....
Director - Darrin John WEBB
HGC Global Communications (UK) Limited
Registered number: 07407820

The notes on pages 14 to 39 are an integral part of these financial statements.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital GBP	Retained earnings GBP	Total equity GBP
At 1 January 2019	2	1,456,496	1,456,498
Profit and total comprehensive income for the year	-	364,872	364,872
At 31 December 2019	<u>2</u>	<u>1,821,368</u>	<u>1,821,370</u>
At 1 January 2020	2	1,821,368	1,821,370
Profit and total comprehensive income for the year	-	393,281	393,281
At 31 December 2020	<u>2</u>	<u>2,214,649</u>	<u>2,214,651</u>

The notes on pages 14 to 39 are an integral part of these financial statements.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 GBP	2019 GBP
Cash flows from operating activities			
Cash generated from operations	22	123,587	404,152
Interest paid on lease liabilities		(7,232)	(10,312)
Tax paid		(55,157)	(289,544)
		<hr/>	<hr/>
Net cash generated from operating activities		61,198	104,296
		<hr/>	<hr/>
Cash flows used in investing activities			
Purchase of property, plant and equipment		(72,048)	(1,886)
		<hr/>	<hr/>
Net cash used in investing activities		(72,048)	(1,886)
		<hr/>	<hr/>
Cash flows used in financing activity			
Repayment of lease liabilities		(70,320)	(67,241)
		<hr/>	<hr/>
Net cash used in financing activity		(70,320)	(67,241)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(81,170)	35,169
Cash and cash equivalents at beginning of year		340,171	305,002
		<hr/>	<hr/>
Cash and cash equivalents at end of year		259,001	340,171
		<hr/>	<hr/>
Analysis of cash and cash equivalents			
Cash at bank		259,001	340,171
		<hr/>	<hr/>

The notes on pages 14 to 39 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 Sterling ("GBP"), unless otherwise stated.

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 on a going concern basis 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 management judgement, or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 New and revised standards and 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 2020:

IAS 1 and IAS 8 (Amendments)	Definition of Material
IFRS 3 (Amendments)	Definition of a Business
IFRS 7, IFRS 9 and IAS 39 (Amendments)	Hedge accounting
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

The adoption of the above new and revised standards and amendments to existing standards did not have a material impact to the Company's results of operations and financial position.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 New and 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 and revised standards and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2020:

IFRS 16 (Amendments) ⁽ⁱ⁾	Covid-19-Related Rent Concessions
IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 (Amendments) ⁽ⁱⁱ⁾	Interest Rate Benchmark Reform – Phase 2
Annual improvements project ⁽ⁱⁱⁱ⁾ IFRS 3, IAS 16 and IAS 37 (Amendments) ⁽ⁱⁱⁱ⁾	Annual Improvements to IFRSs 2018 - 2020 Narrow-scope amendments
IAS 1 (Amendments) ^(iv)	Classification of Liabilities as Current or Non-current

(i) Effective for annual periods on or after 1 June 2020

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

(iii) Effective for annual periods beginning on or after 1 January 2022

(iv) Effective for annual periods beginning on or after 1 January 2023

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

2.4 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in the statement of comprehensive income.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 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

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 2.7).

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.

2.6 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. This contract is outside the scope of IFRS 16.

2.7 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.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.8 Financial instruments

The Company classifies all of its financial assets as financial instruments measured at amortised cost including trade receivables, other receivables, prepayments and deposits. The financial assets are classified on the substance of the contractual terms of the cash flows.

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

(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

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.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

(iii) Financial liabilities

Financial liabilities are initially measured at fair value, plus, in the case of financial liabilities not carried at fair value through the profit and loss ("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.

2.9 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.

2.10 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 Provision for other liability

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.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.12 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, 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.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 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.

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.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.15 Revenue recognition (Continued)

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 recognises 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 assets. For costs 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 in the statement of comprehensive income.

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.

2.16 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Leases are recognised as right-of-use assets and the corresponding lease liabilities at the dates at which the leased assets are available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis.

(i) Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Company, as a lessee, exercising an option to terminate the lease.

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

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.16 Leases (Continued)

(i) Lease liabilities (Continued)

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate of 4.486% per annum, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar term and condition.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing; and
- makes adjustments specific to the lease.

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

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

(ii) Right-of-use assets

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.16 Leases (Continued)

(ii) Right-of-use assets (Continued)

The right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	5 years
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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 a fellow subsidiary.

Risk management

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

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 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:

	2020 GBP	2019 GBP
Cash at bank	259,001	340,171
Trade receivables	46,094	51,784
Current deposits	7,471	7,471
Amount due from a fellow subsidiary	<u>1,062,162</u>	<u>1,130,653</u>
	<u>1,374,728</u>	<u>1,530,079</u>

The Company has two types of financial assets that are subject to the expected credit loss model under IFRS 9:

- 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, any identified impairment loss is considered to be 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 2020 or 31 December 2019 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 2020 and 31 December 2019 was determined as follows for trade receivables which were past due:

31 December 2020	Expected credit loss rate	Gross carrying amount GBP	Expected credit loss GBP
Not yet due	0%	14,976	-
Past due 1 – 30 days	0%	314	-
Past due 31 – 60 days	0%	-	-
Past due 61 – 90 days	0%	-	-
Past due over 90 days	0%	30,804	-
		<u>46,094</u>	<u>-</u>
31 December 2019	Expected credit loss rate	Gross carrying amount GBP	Expected credit loss GBP
Not yet due	0%	18,111	-
Past due 1 – 30 days	0%	274	-
Past due 31 – 60 days	0%	1,954	-
Past due 61 – 90 days	0%	930	-
Past due over 90 days	0%	30,515	-
		<u>51,784</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; the failure of a debtor to engage in a repayment plan with the Company, consideration of relevant forward-looking information, 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 "expected credit losses" within "other operating expenses" in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include prepayments, 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 expected credit loss for these financial assets.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management

3.1 Financial risk factors (Continued)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the continuing financial support from the immediate 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 considered not significant.

	Carrying amount GBP	Contractual liabilities GBP	Contractual undiscounted cash flow GBP	Within 1 year GBP	After 1 year but within 2 years GBP	After 2 years but within 5 years GBP	After 5 years GBP
At 31 December 2020							
Trade payables	517,418	517,418	517,418	517,418	-	-	-
Amount due to the immediate holding company	203,719	203,719	203,719	203,719	-	-	-
Amount due to an intermediate holding company	724	724	724	724	-	-	-
Lease liabilities	<u>129,336</u>	<u>135,723</u>	<u>135,723</u>	<u>58,167</u>	<u>77,556</u>	-	-
At 31 December 2019							
Trade payables	511,000	511,000	511,000	511,000	-	-	-
Amount due to the immediate holding company	880,675	880,675	880,675	880,675	-	-	-
Amount due to an intermediate holding company	724	724	724	724	-	-	-
Lease liabilities	<u>199,656</u>	<u>213,279</u>	<u>213,279</u>	<u>77,556</u>	<u>58,167</u>	<u>77,556</u>	-

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

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.

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) Estimates

(i) 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. There has not been any significant changes identified by management during the current year and, therefore, there has been no change in depreciation rate.

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)

(ii) Expected credit loss provision under IFRS 9

The Company's management estimates the expected credit loss provision for trade receivables and contract assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves management judgement 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.

(b) Judgements

(i) 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 circumstances that indicate 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 2020.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Revenue

The Company derives revenue from the provision of network and support services and recognises revenue over time in line with the satisfaction of performance obligations.

	2020 GBP	2019 GBP
Revenue from contracts with customers		
Support service fee	2,081,992	2,077,082
Network service revenue	<u>3,062,778</u>	<u>2,690,757</u>
	<u>5,144,770</u>	<u>4,767,839</u>

Network service revenue was from an external party of GBP223,507 (2019: GBP62,234) and from a fellow subsidiary of GBP2,839,271 (2019: GBP2,628,523) (Note 24(a)).

6 Expenses by nature

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

	2020 GBP	2019 GBP
Cost of services	2,466,564	2,059,317
Depreciation and amortisation		
- property, plant and equipment (Note 11)	135,577	116,590
- prepaid capacity (Note 13)	2,869	2,866
- customer acquisition and retention costs (Note 14)	257,618	288,415
- right-of-use assets (Note 12)	57,292	57,292
Employee benefit expenses (Note 7)	1,362,890	1,353,783
Exchange losses/(gains)	9,806	(2,129)
Auditor's remuneration	18,000	(24,073)
Other expenses	<u>335,046</u>	<u>433,456</u>
	<u>4,645,662</u>	<u>4,285,517</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Employee benefit expenses

	2020 GBP	2019 GBP
Wages and salaries	1,333,870	1,241,408
Social security costs	172,029	172,747
Other pension costs	64,106	71,202
Staff benefits	31,333	140,928
Less: Amounts capitalised as customer acquisition and retention costs	<u>(238,448)</u>	<u>(272,502)</u>
	<u>1,362,890</u>	<u>1,353,783</u>

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

	2020 Average Number	2019 Average number
Operations	<u>14</u>	<u>16</u>

8 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 (2019: Nil).

9 Finance cost

	2020 GBP	2019 GBP
Accretion costs on asset retirement obligations (Note 18)	323	317
Interest on lease liabilities (Note 21)	<u>7,232</u>	<u>10,312</u>
Total finance costs	<u>7,555</u>	<u>10,629</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Taxation

For the year ended 31 December 2020, 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.

	2020 GBP	2019 GBP
Current taxation	102,944	45,949
Deferred taxation (Note 17)	<u>(4,672)</u>	<u>60,872</u>
Total taxation charge	<u>98,272</u>	<u>106,821</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:

	2020 GBP	2019 GBP
Profit before taxation	<u>491,553</u>	<u>471,693</u>
Profit multiplied by, the standard rate of corporation tax in the UK of 19% (2019: 19%)	93,395	89,622
Effect of:		
Income not subject to tax	(1,097)	(1,494)
Expenses not deductible for taxation purposes	1,023	-
Change in accounting policy	-	(7,169)
Adjustments in respect of foreign taxes	4,951	4,691
Change in the UK tax rate substantively enacted to 19% (2019: 19%)	<u>-</u>	<u>21,171</u>
Total taxation charge	<u>98,272</u>	<u>106,821</u>

The Company's corporation tax rate for the year ended 31 December 2020 is 19% (2019: 19%). In the UK Government Budget 2020, the Government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

The net deferred tax liabilities of GBP236,148 at 31 December 2020 (2019: GBP240,820) relates to timing differences (2019: same). Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 4 March 2021. These include a rise in the main rate to 25% on profits over GBP250,000 and the rate for small profits under GBP50,000 will remain at 19% as of 1 April 2023. These changes in main rate were substantively enacted after the balance sheet date and there is no impact on financial position, cash flows and operating results of the Company. Remeasurement of temporary differences for the UK corporation tax rate change substantively enacted post the balance sheet date will increase the opening deferred tax liabilities for the year ended 31 December 2021 by GBP74,574.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment

	Network equipment GBP	Leasehold improvements GBP	Office furniture and equipment and computer equipment GBP	Total GBP
Year ended				
31 December 2019				
Opening net book amount	1,242,052	5,332	74,963	1,322,347
Additions	275,986	182	1,886	278,054
Depreciation (Note 6)	(97,877)	(3,175)	(15,538)	(116,590)
Closing net book amount	1,420,161	2,339	61,311	1,483,811
At 31 December 2019				
Cost	2,037,018	20,949	100,956	2,158,923
Accumulated depreciation	(616,857)	(18,610)	(39,645)	(675,112)
Net book amount	1,420,161	2,339	61,311	1,483,811
Year ended				
31 December 2020				
Opening net book amount	1,420,161	2,339	61,311	1,483,811
Additions	69,350	-	2,698	72,048
Depreciation (Note 6)	(117,840)	(2,339)	(15,398)	(135,577)
Closing net book amount	1,371,671	-	48,611	1,420,282
At 31 December 2020				
Cost	2,106,368	20,949	103,654	2,230,971
Accumulated depreciation	(734,697)	(20,949)	(55,043)	(810,689)
Net book amount	1,371,671	-	48,611	1,420,282

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Right-of-use assets

The Company leases offices as right-of-use assets. Rental contract is agreed for a fixed period of five years.

	GBP
Year ended 31 December 2019	
Opening net book value	229,167
Depreciation for the year (Note 6)	(57,292)
	<hr/>
Closing net book value	171,875
	<hr/>
At 31 December 2019	
Cost	286,458
Accumulated depreciation	(114,583)
	<hr/>
Net book value	171,875
	<hr/>
Year ended 31 December 2020	
Opening net book value	171,875
Depreciation for the year (Note 6)	(57,292)
	<hr/>
Closing net book value	114,583
	<hr/>
At 31 December 2020	
Cost	286,458
Accumulated depreciation	(171,875)
	<hr/>
Net book value	114,583
	<hr/>

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Prepaid capacity

	Activated capacity GBP
Year ended 31 December 2019	
Opening net book amount	12,621
Amortisation (Note 6)	<u>(2,866)</u>
Closing net book amount	<u>9,755</u>
At 31 December 2019	
Cost	40,293
Accumulated amortisation	<u>(30,538)</u>
Net book amount	<u>9,755</u>
Year ended 31 December 2020	
Opening net book amount	9,755
Amortisation (Note 6)	<u>(2,869)</u>
Closing net book amount	<u>6,886</u>
At 31 December 2020	
Cost	40,293
Accumulated amortisation	<u>(33,407)</u>
Net book amount	<u>6,886</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 Customer acquisition and retention costs

GBP

Year ended 31 December 2019

At 1 January 2019	206,287
Additions	272,502
Amortisation charge (Note 6)	<u>(288,415)</u>

Closing net book value	<u>190,374</u>
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At 31 December 2019	
Cost	983,790
Accumulated amortisation	<u>(793,416)</u>

Net book value	<u>190,374</u>
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Year ended 31 December 2020

At 1 January 2020	190,374
Additions	238,448
Amortisation charge (Note 6)	<u>(257,618)</u>

Closing net book value	<u>171,204</u>
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Cost at 1 January 2020	983,790
Additions	238,448
Written-off	<u>(858,685)</u>

Cost at 31 December 2020	363,553
Accumulated amortisation	<u>(192,349)</u>

Net book value	<u>171,204</u>
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	2020 GBP	2019 GBP
Non-current portion	12,820	-
Current portion	<u>158,384</u>	<u>190,374</u>
	<u>171,204</u>	<u>190,374</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 Trade receivables and deposits, prepayments and other receivables

	2020 GBP	2019 GBP
Trade receivables, net of expected credit loss provision	46,094	51,784
Deposits, prepayments and other receivables	514,362	443,681
Tax recoverable	<u>76,766</u>	<u>124,553</u>
	<u>637,222</u>	<u>620,018</u>

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

(a) Trade receivables, net of expected credit loss provision

The ageing analysis of trade receivables, net of expected credit loss provision, is as follows:

	2020 GBP	2019 GBP
Not yet due	14,977	18,111
0 - 30 days	314	274
31 - 60 days	-	1,954
61 - 90 days	-	930
Over 90 days	<u>30,804</u>	<u>30,515</u>
	<u>46,094</u>	<u>51,784</u>

The carrying values of trade receivables approximate their fair values. The concentration of credit risk with respect to trade receivables is considered minimal as sales are made to customers with a reliable credit history, including group entities.

(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.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Share capital

	2020 GBP	2019 GBP
Issued and fully paid:		
2 (2019: 2) ordinary shares of GBP1 each	<u>2</u>	<u>2</u>

17 Deferred tax liabilities

Deferred taxation is calculated in full on temporary differences under the liability method at the rate of 19% (2019: 19%), which was substantively enacted at the balance sheet date. Changes to the UK corporate tax rates were announced after the balance sheet date. For details, please refer to Note 10.

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:

	GBP
At 1 January 2019	179,948
Credit to other comprehensive income (Note 10)	<u>60,872</u>
At 31 December 2019	<u>240,820</u>
At 1 January 2020	240,820
Charge to other comprehensive income (Note 10)	<u>(4,672)</u>
At 31 December 2020	<u>236,148</u>

18 Provision for other liability

Asset retirement obligations are legal obligations associated with the permanent removal from the lease of offices by the Company, where the Company must ultimately remove equipment or clean up hazardous materials upon such removal. The obligation is recognised based on management's best estimate of the amount required to settle the obligation at the balance sheet date. Management expects to renew the office lease contract and the amount is classified as non-current liability.

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 Provision for other liability (Continued)

Asset retirement obligations:

	2020 GBP	2019 GBP
At 1 January	15,917	15,418
Addition	-	182
Accretion cost (Note 9)	323	317
	<u>16,240</u>	<u>15,917</u>
At 31 December	<u>16,240</u>	<u>15,917</u>
Analysis of provision at 31 December		
Non-current	<u>16,240</u>	<u>15,917</u>

19 Trade payables and accruals and other payables

	2020 GBP	2019 GBP
Trade payables	517,418	511,000
Accruals and other payables	353,104	276,495
	<u>870,522</u>	<u>787,495</u>

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

20 Balances with related companies

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

21 Lease liabilities

	2020 GBP	2019 GBP
Current	53,343	70,325
Non-current	75,993	129,331
	<u>129,336</u>	<u>199,656</u>

Movement of lease liabilities is as follows:

	2020 GBP	2019 GBP
At 1 January	199,656	266,897
Interest accretion (Note 9)	7,232	10,312
Payments for lease liabilities (including interest)	(77,552)	(77,553)
	<u>129,336</u>	<u>199,656</u>
At 31 December	<u>129,336</u>	<u>199,656</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Notes to the statement of cash flows

	2020 GBP	2019 GBP
Cash flows from operating activities		
Profit before taxation	491,553	471,693
Adjustments for:		
Depreciation of property, plant and equipment	135,577	116,590
Amortisation of customer acquisition and retention costs	257,618	288,415
Depreciation of right-of-use assets	57,292	57,292
Amortisation of prepaid capacity	2,869	2,866
Interest expense	7,555	10,629
Changes in working capital:		
Increase in customer acquisition and retention costs	(238,448)	(272,502)
Decrease in trade receivables	5,690	175,303
Increase in deposits, prepayments and other receivables	(70,681)	(79,697)
Increase/(decrease) in trade payables	6,418	(217,713)
Increase/(decrease) in accruals and other payables	76,609	(48,805)
(Decrease)/increase in amount due to the immediate holding company	(676,956)	855,160
Decrease/(increase) in amount due from a fellow subsidiary	68,491	(955,079)
Cash generated from operations	<u>123,587</u>	<u>404,152</u>

Non-cash transaction

The movement for the liabilities from financing activities:

	2020 GBP	2019 GBP
Liabilities from financing activities as at 1 January	199,656	266,897
Changes from financing cash flow	(70,320)	(67,241)
Interest paid on lease liabilities (Note 21)	(7,232)	(10,312)
Other non-cash movements	7,232	10,312
Liabilities from financing activities as at 31 December	<u>129,336</u>	<u>199,656</u>

HGC GLOBAL COMMUNICATIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23 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 Asia Cube Global Communications Limited ("ACG", incorporated in the Cayman Islands) and HGC Global Communications Investment Holding Limited ("HGC IHL", incorporated in the British Virgin Islands).

As at 31 December 2020 and 2019, ACG is an intermediate holding company of the Company. ACG was owned as to approximately 75.1% by Asia Cube Telecom Holdings LLC ("ACT", incorporated in the Cayman Islands) through layers of intermediary. The directors regarded ACT as the ultimate holding company of the Company.

24 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 arm's length between the parties:

(a) Transactions with related parties:

	2020 GBP	2019 GBP
ACG Group		
Support service fee (Note 5)	2,081,992	2,077,082
Network service revenue (Note 5)	2,839,271	2,628,523
Telecommunications service charge	<u>(203,188)</u>	<u>(56,069)</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 8.