**Multinational Textile Group Limited and its subsidiaries**

**Consolidated financial statements**

**31 March 2018**

**Multinational Textile Group Limited and its subsidiaries**

**Consolidated financial statements**
*for the year ended 31 March 2018*


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# Multinational Textile Group Limited and its subsidiaries

**Corporate data**

| | |
|---|---|
| **Directors:** | Deepak Kumar Seth<br>Payel Seth<br>Pallak Seth<br>Deven Coopoosamy (Appointed on 01 March 2018)<br>Sharmil Shah (Appointed on 01 March 2018)<br>Sheik Mohamad Ally Shameem Kureemun<br>(Appointed on 01 March 2018 as permanent alternate to Deven Coopoosamy<br>Navin Nagawa<br>(Appointed on 01 March 2018 as permanent alternate to Sharmil Shah)<br>Jayechund Jingree<br>(Appointed on 13 January 2014 and resigned on 01 March 2018)<br>Sushil Kumar Jogoo<br>(Appointed on 13 January 2014 and resigned on 01 March 2018) |
| **Company secretary:** | Rogers Capital Corporate Services Limited<br>St Louis Business Centre<br>Cnr Desroches & St Louis Streets<br>Port Louis<br>Mauritius |
| **Registered office:** | St Louis Business Centre<br>Cnr Desroches & St Louis Streets<br>Port Louis<br>Mauritius |
| **Auditor:** | Lancasters,<br>Chartered Accountants<br>14, Lancaster Court<br>Lavoquer Street<br>Port Louis<br>Mauritius |
| **Banker:** | HSBC Bank (Mauritius) Limited<br>6th Floor, HSBC Centre<br>Ebene<br>Mauritius |

## Multinational Textile Group Limited and its subsidiaries

### Directors' report

The directors are pleased to present their report together with the audited consolidated financial statements of Multinational Textile Group Limited and its subsidiaries (the "Group") for the year ended 31 March 2018.

### Principal activity

The principal activity of the Company and its Subsidiaries are investments holding. The Subsidiaries and Sub-subsidiaries are also engaged in trading of garments, design, development, marketing, sourcing and distribution of ready made garments of all kinds, hard goods and other consumer products.

### Results and dividend

The results for the year are shown on pages 7 and 8.

During the year under review, the Company has declared and paid a dividend of USD 1,000,000 (2017: NIL).

### Statement of directors' responsibilities in respect of consolidated financial statements

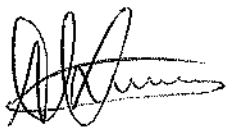
Company law requires the directors to prepare consolidated financial statements for each financial period giving a true and fair view of the consolidated statement of financial position and of the consolidated statement of profit or loss and other comprehensive income of the Group. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

**By order of the Board**



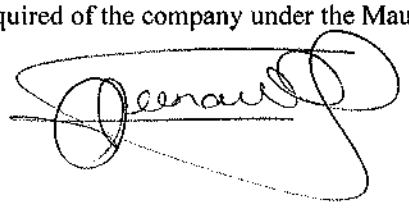
**Director** Date: 29 MAY 2018

**Multinational Textile Group Limited and its subsidiaries**

**Secretary's certificate**
*for the year ended 31 March 2018*

**Statement from secretary under Section 166(d) of the Mauritius Companies Act 2001**

In accordance with section 166 (d) of the Mauritius Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the company under the Mauritius Companies Act 2001.



For and on behalf of **ROGERS CAPITAL CORPORATE SERVICES LIMITED**
**Company Secretary**

Date: 29 MAY 2018

Lancasters
Chartered Accountants

## Auditors' report to member of Multinational Textile Group Limited

### *Opinion*

We have audited the financial statements of Multinational Textile Group Limited and its subsidiaries (the "Group") set out on pages 7 to 74 which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Group as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report and the Company Secretary's Certificate as required by the Companies Act 2001, but does not include the financial statements nor our auditor's report thereon.

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

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

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' report to member of Multinational Textile Group Limited (continued)

***Responsibilities of the Directors for the Financial Statements (continued)***

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Auditors' report to member of Multinational Textile Group Limited (continued)**

***Auditor's Responsibilities for the Audit of the Financial Statements (continued)***

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

***Other matter***

This report is made solely for the Company's member, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's member 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 member, for our audit work, for this report, or for the opinions we have formed.

***Report on Other Legal and Regulatory Requirements***

***Mauritius Companies Act 2001***

We have no relationship with or interests in the Company or its subsidiaries other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Lancasters

**Lancasters,**
Chartered Accountants
14, Lancaster Court
Lavoquer Street
Port Louis
Mauritius

**Pasram Bissessur FCCA, ACA, MBA (UK)**
*Licensed by FRC*

Date: 27 MAY 2010

## Multinational Textile Group Limited and its subsidiaries

**Consolidated statement of profit or loss and other comprehensive income**
*for the year ended 31 March 2018*

| | Note | 2018 USD | 2017 USD |
|---|---|---|---|
| Revenue | 9 | **755,088,908** | 679,392,069 |
| Cost of sales | | **(659,318,729)** | (598,786,462) |
| **Gross profit** | | **95,770,179** | 80,605,607 |
| Operating income | | **8,827,252** | 8,640,272 |
| Other income | | **2,256,897** | 2,115,138 |
| Marketing, selling and distribution expenses | | **(13,691,520)** | (10,563,404) |
| Manufacturing and other expenses | | **(1,046,303)** | - |
| Share of loss of joint venture | | **(182,764)** | (283,775) |
| General and administrative expenses | | **(84,388,852)** | (71,031,501) |
| Depreciation and amortisation | 12,13,17 | **(2,188,184)** | (1,804,114) |
| **Results from operating activities** | | **5,356,705** | 7,678,223 |
| Finance income | | **1,497,693** | 24,447 |
| Finance costs | | **(2,993,781)** | (1,318,262) |
| **Net finance costs** | 10 | **(1,496,088)** | (1,293,815) |
| **Profit before taxation** | | **3,860,617** | 6,384,408 |
| Taxation | 11 | **(398,725)** | (720,947) |
| **Profit for the year** | | **3,461,892** | 5,663,461 |

The notes on pages 15 to 74 form part of these consolidated financial statements

## Multinational Textile Group Limited and its subsidiaries

**Consolidated statement of profit or loss and other comprehensive income (continued)**
*for the year ended 31 March 2018*

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| **Other comprehensive income** | | |
| Net (loss)/gain on cash flow hedges | **(271,815)** | (959,899) |
| Foreign currency translation differences for foreign operations | **(784,411)** | (853,065) |
| Net movement in exchange reserves | **1,010,072** | (1,369,304) |
| Net movement in available-for-sale investment reserves | **(218,753)** | (556,957) |
| **Other comprehensive loss for the year, net of income tax** | **(264,907)** | (3,739,225) |
| **Total comprehensive income for the year** | **3,196,985** | 1,924,236 |
| **Profit attributable to:** | | |
| Owners of the company | **(785,630)** | 2,066,688 |
| Non-controlling interest | **4,247,522** | 3,596,773 |
| **Profit for the year** | **3,461,892** | 5,663,461 |
| **Total comprehensive income attributable to:** | | |
| Owners of the company | **(1,110,262)** | (1,140,041) |
| Non-controlling interest | **4,307,347** | 3,064,277 |
| **Total comprehensive income for the year** | **3,196,985** | 1,924,236 |

The notes on pages 15 to 74 form part of these consolidated financial statements

**Multinational Textile Group Limited and its subsidiaries**

**Consolidated statement of financial position**
*as at 31 March 2018*

| | Note | 2018 USD | 2017 USD |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **10,940,876** | 3,291,508 |
| Capital work in progress | 12(b) | **4,677,138** | 1,675,052 |
| Intangible assets | 13 | **7,147,698** | 7,180,189 |
| Available-for-sale investments | 14 | **4,916,163** | 5,364,607 |
| Held-to-maturity investments | 15 | **3,941,956** | 3,153,108 |
| Interest in Joint Venture | 16 | **2,386,168** | 1,130,539 |
| Investment property | 17 | **18,031,113** | 17,505,009 |
| Receivables | 18 | **1,725,330** | 417,973 |
| Deferred tax assets | 19 | **24,924** | 18,240 |
| **Total non-current assets** | | **53,791,366** | 39,736,225 |
| **Current assets** | | | |
| Inventories | 20 | **10,006,224** | 5,326,327 |
| Available-for-sale investments | 14 | **3,835,029** | 797,824 |
| Trade and other receivables | 21 | **165,437,907** | 150,230,566 |
| Derivative financial instruments | 30 | **95,548** | 158,017 |
| Cash and cash equivalents | 28 | **17,113,693** | 20,246,331 |
| **Total current assets** | | **196,488,401** | 176,759,065 |
| **Total assets** | | **250,279,767** | 216,495,290 |

Approved by the Board of Directors on. 29 MAY 2018 and signed on its behalf by

Director

Director

The notes on pages 15 to 74 form part of these consolidated financial statements

## Multinational Textile Group Limited and its subsidiaries

**Consolidated statement of financial position (continued)**
*as at 31 March 2018*

| | Note | 2018 USD | 2017 USD |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Stated capital | 22 | **21,948,270** | 21,948,270 |
| Reserves | 23 | **48,522,112** | 48,934,875 |
| **Equity attributable to owners of the Company** | | **70,470,382** | 70,883,145 |
| **Non-controlling interests** | 24 | **12,181,308** | 11,860,507 |
| **Total equity** | | **82,651,690** | 82,743,652 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long term loans | 25 | **7,816,364** | 3,882,647 |
| Obligations under finance lease | 35 | **-** | 4,221 |
| Deferred tax liabilities | 26 | **-** | - |
| **Total non-current liabilities** | | **7,816,364** | 3,886,868 |
| **Current liabilities** | | | |
| Short term loans | 27 | **74,879,286** | 64,271,783 |
| Bank overdrafts | 28 | **-** | 8,393 |
| Tax payable | | **3,657,842** | 3,633,223 |
| Obligations under finance lease | 35 | **3,214** | 12,125 |
| Trade and other payables | 29 | **81,007,900** | 61,886,172 |
| Derivative financial instruments | 30 | **263,471** | 53,074 |
| **Total current liabilities** | | **159,811,713** | 129,864,770 |
| **Total liabilities** | | **167,628,077** | 133,751,638 |
| **Total equity and liabilities** | | **250,279,767** | 216,495,290 |

Approved by the Board of Directors on. 29 MAY 2018 and signed on its behalf by

Director

Director

The notes on pages 15 to 74 form part of these consolidated financial statements

**Multinational Textile Group Limited and its subsidiaries**

**Consolidated statement of changes in equity**
*for the year ended 31 March 2018*

| | Stated capital USD | Hedging reserves USD | Translation reserves USD | Capital reserves USD | Retained earnings USD | Available-for-sale Investment reserves USD | Total USD | Non-controlling interests USD | Total equity USD |
|---|---|---|---|---|---|---|---|---|---|
| Balance as at 01 April 2016 | 21,948,270 | (328,830) | (2,734,507) | (1,368,633) | 54,632,897 | (590) | 72,148,607 | 9,638,097 | 81,786,704 |
| **Transactions with owners of the Company** | | | | | | | | | |
| **Contributions and distributions** | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | - | - | - | - | - | - | - | 41,031 | 41,031 |
| Adjustment during the year | - | - | - | - | (125,420) | - | (125,420) | - | (125,420) |
| Issue of shares to minority | - | - | - | - | - | - | - | 83,926 | 83,926 |
| Share application monies relating to minority | - | - | - | - | - | - | - | 489 | 489 |
| Dividend declared and paid | - | - | - | - | - | - | - | (967,314) | (967,314) |
| **Total comprehensive income** | | | | | | | | | |
| Profit for the year | - | - | - | - | 2,066,688 | - | 2,066,688 | 3,596,773 | 5,663,461 |
| **Other comprehensive income** | | | | | | | | | |
| Net movement in available-for-sale investment reserves | - | - | - | - | - | (473,414) | (473,414) | (83,543) | (556,957) |
| Net movement in exchange reserves | - | - | - | - | (1,155,044) | - | (1,155,044) | (214,260) | (1,369,304) |
| Foreign currency translation differences on foreign operations | - | - | (763,333) | - | - | - | (763,333) | (89,732) | (853,065) |
| Net gain on cash flow hedges | - | (814,939) | - | - | - | - | (814,939 | (144,960) | (959,899) |
| **Balance as at 31 March 2017** | **21,948,270** | **(1,143,769)** | **(3,497,840)** | **(1,368,633)** | **55,419,121** | **(474,004)** | **70,883,145** | **11,860,507** | **82,743,652** |

The notes on pages 15 to 74 form part of these consolidated financial statement

**Multinational Textile Group Limited and its subsidiaries**

**Consolidated statement of changes in equity**
*for the year ended 31 March 2018*

| | Stated capital USD | Hedging reserves USD | Translation reserves USD | Capital reserves USD | Retained earnings USD | Available-for-sale Investment reserves USD | Total USD | Non-controlling interests USD | Total equity USD |
|---|---|---|---|---|---|---|---|---|---|
| Balance as at 01 April 2017 | **21,948,270** | **(1,143,769)** | **(3,497,840)** | **(1,368,633)** | **55,419,121** | **(474,004)** | **70,883,145** | **11,860,507** | **82,743,652** |
| **Transactions with owners of the Company** | | | | | | | | | |
| **Contributions and distributions** | | | | | | | | | |
| Acquisition of non-controlling interests without a change in control | - | - | - | - | - | - | - | - | - |
| Adjustment during the year | - | - | 1,696,260 | 2,792 | (1,553) | - | 1,697,499 | (1,696,577) | 922 |
| Issue of shares to minority | - | - | - | - | - | - | - | 7,326 | 7,326 |
| Share application monies relating to minority | - | - | - | - | - | - | - | (481) | (481) |
| Dividend declared and paid | - | - | - | - | (1,000,000) | - | (1,000,000) | (2,296,714) | (3,296,714) |
| **Total comprehensive income** | | | | | | | | | |
| Loss for the year | - | - | - | - | (785,630) | - | (785,630) | 4,247,522 | 3,461,892 |
| **Other comprehensive income** | | | | | | | | | |
| Net movement in available-for-sale investment reserves | - | - | - | - | - | (186,828)) | (186,828) | (31,925) | (218,753) |
| Net movement in exchange reserves | - | - | - | - | 759,019 | - | 759,019 | 251,053 | 1,010,072 |
| Foreign currency translation differences on foreign operations | - | - | (665,780) | - | - | - | (665,780) | (118,631) | (784,411) |
| Net loss on cash flow hedges | - | (231,043) | - | - | - | - | (231,043) | (40,772) | (271,815) |
| **Balance as at 31 March 2018** | **21,948,270** | **(1,374,812)** | **(2,467,360)** | **(1,365,841)** | **54,390,957** | **(660,832)** | **70,470,382** | **12,181,308** | **82,651,690** |

The notes on pages 15 to 74 form part of these consolidated financial statements

**Multinational Textile Group Limited and its subsidiaries**

**Consolidated statement of cash flows**
*for the year ended 31 March 2018*

| | 2018 USD | 2017 USD |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | **3,461,892** | 5,663,461 |
| *Adjustments for:* | | |
| Depreciation and amortisation | **2,188,184** | 1,804,114 |
| Share of loss of joint venture | **182,764** | 283,775 |
| Income tax expense | **398,725** | 720,947 |
| Exchange difference | **(178,592)** | (1,451,159) |
| **Operating profit before changes in working capital** | **6,052,973** | 7,021,138 |
| Change in inventories | **(4,679,897)** | 2,252,251 |
| Change in receivables and trade and other receivables | **(16,514,696)** | 8,952,793 |
| Change in payables | **19,121,246** | 812,484 |
| | **3,979,626** | 19,038,666 |
| Tax paid | **(380,789)** | (756,569) |
| **Net cash from operating activities** | **3,598,837** | 18,282,097 |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | **(9,896,029)** | (3,890,245) |
| Proceeds from sale of property, plant and equipment | **62,132** | 255,163 |
| (Acquisition)/Disposal of held-to-maturity investments | **(788,848)** | 202,460 |
| Acquisition of available for sale investments | **(2,588,761)** | (3,715,537) |
| Disposal/(Acquisition) of intangible assets | **32,490** | (259,176) |
| Acquisition of joint venture | **(1,255,628)** | (658,140) |
| Acquisition of investment property | **(526,104)** | (1,546,480) |
| Acquisition of capital work in progress | **(3,002,086)** | - |
| Movement in non-controlling interest | **-** | 41,031 |
| **Net cash used in investing activities** | **(17,962,834)** | (9,570,924) |

The notes on pages 15 to 74 form part of these consolidated financial statements

## Multinational Textile Group Limited and its subsidiaries

**Consolidated statement of cash flows (continued)**
*for the year ended 31 March 2018*

| | 2018 USD | 2017 USD |
|---|---|---|
| **Cash flows from financing activities** | | |
| Capital contributed by non-controlling interests | - | 489 |
| Dividend paid | **(3,296,714)** | (967,314) |
| Proceeds from share issued to non-controlling interests | **7,326** | 83,926 |
| Movement in derivative financial instrument | **1,052** | (193,468) |
| Movement in short terms loans | **10,607,503** | (1,430,157) |
| Movement in long term loans | **3,933,717** | 3,793,564 |
| Repayment of obligation under finance lease | **(13,132)** | (11,397) |
| **Net cash from financing activities** | **11,239,752** | 1,1275,643 |
| Net movement in cash and cash equivalents | **(3,124,245)** | 9,986,816 |
| Cash and cash equivalents at 01 April | **20,237,938** | 10,251,122 |
| **Cash and cash equivalents at 31 March** *(note 28)* | **17,113,693** | 20,237,938 |
| *Cash and cash equivalent at the year-end consist of:* | | |
| Cash at bank | **17,113,693** | 20,246,331 |
| Bank overdraft | **-** | (8,393) |
| | **17,113,693** | 20,237,938 |

The notes on pages 15 to 74 form part of these consolidated financial statements

## Multinational Textile Group Limited and its subsidiaries

**Notes to and forming part of the consolidated financial statements**
*for the year ended 31 March 2018*

### 1. General information

The Company was incorporated as a private limited company on 28 March 2006 and was granted a Category 1 Global Business Licence on 29 March 2006 under the Financial Services Act 2007. The principal activities of the Company and its Subsidiaries are investments holding and Subsidiaries and Sub-subsidiaries are engaged in trading of garments, design, development, marketing, sourcing and distribution of ready made garments of all kinds, hard goods, other consumer products, Manufacturing of garments and development of software apps services.

The consolidated financial statements for the year ended 31 March 2018 comprise 'Multinational Textile Group Limited' (the Company), its Subsidiaries which are as follows:

| | |
|---|---|
| 1 | Multinational Textiles Group Limited |
| 2 | Global Textiles Group Limited |
| 3 | Casa Forma Limited |
| 4 | PDS Asia Star Corporation Limited |
| 5 | Simple Approach Limited |
| 6 | Zamira Fashion Limited |
| 7 | PG Group Limited |
| 8 | Techno Design HK Limited (formerly known as DPOD manufacturing ltd) |
| 9 | Norwest Industries Limited |
| 10 | Poeticgem International Limited |
| 11 | SACB Holding Limited |
| 12 | Multinational OSG Services Bangladesh Ltd. |
| 13 | Nor Delhi Manufacturing Limited |
| 14 | Techno Design GmbH |
| 15 | Poetic Brands Limited |
| 16 | Poeticgem Limited |
| 17 | 360 Notch Limited (Formerly Known as PoeticGem Australia Limited) |
| 18 | Razamtazz Limited |
| 19 | Krayon Sourcing Limited (Formerly Known as Sourcing Solutions HK Ltd.) |
| 20 | Design Arc Asia Limited (formerly known as Nor France Manufacturing Co. Limited) |
| 21 | Nor Lanka Manufacturing Limited |
| 22 | Design Arc Europe Limited (Formerly known as Nor Europe Manufacturing Co. Limited) |
| 23 | Rising Asia Star Hong Kong Limited (Formerly Known as Techno Manufacturing Limited) |

| | |
|---|---|
| 35 | Progress Apparels (Bangladesh) Limited |
| 36 | Green Apparel Industries Limited |
| 37 | Grupo Sourcing Limited (hongkong) |
| 38 | Twins Asia Limited ( Formely 6Degree Manufacturing Ltd.) |
| 39 | Norlanka Progress Pvt. Limited |
| 40 | Sure Investments Limited |
| 41 | Casa Forma London Limited |
| 42 | Blueprint Design Limited |
| 43 | Design Arc UK Limited |
| 44 | Grupo Sourcing Limited |
| 45 | PDS Far-east Limited |
| 46 | Kindred Brands Limited (formerly Known as Nw Far East Limited) |
| 47 | Styleberry Limited |
| 48 | PDS Global Investments Limited |
| 49 | Green Smart Shirts Limited |
| 50 | PDS Far East USA Inc |
| 51 | Smart Notch Industrial Limited |
| 52 | Fareast Vogue Limited |
| 53 | Fabric & Trims Limited |
| 54 | PDS Trading (Shanghai) Co. Ltd. |
| 55 | Zamira Fashion Limited Zhongshan |
| 56 | Simple Approach (Canada) Limited |
| 57 | Zamira Denim Lab Ltd. |

1. **General information (continued)**

| | | | |
|---|---|---|---|
| **24** | Nor India Manufacturing Co. Limited | **58** | PG Shanghai MFG Co. Limited |
| **25** | Spring Near East Manufacturing Co. Ltd. | **59** | PG Home Group Limited |
| **26** | Clover Collections Limited ( Formerly Known as DS Manaufacturing Limited/Design and Source Ltd.) | **60** | Sourcing Solutions Limited |
| **27** | FX Import Co. Limited | **61** | Kleider Sourcing Hong Kong Limited |
| **28** | Poetic Knitwear Limited | **62** | Kleider Sourcing Limited |
| **29** | Pacific Logistics Limited | **63** | PG Home Group SPA |
| **30** | Nor Lanka Manufacturing Colombo Limited | **64** | Redwood Internet Ventures Limited |
| **31** | Nor Europe SPA | **65** | Digital Internet Technologies Limited |
| **32** | FX Import Hong Kong Limited | **66** | Digital Ecom Techno Private Limited |
| **33** | MultiTech Venture Limited | **67** | JJ Star Industrial Limited |
| **34** | Progress Manufacturing Group Limited | **68** | Sourcing East West Limited |

2. **Basis of preparation**

*(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

*(b) Basis of measurement*

The consolidated financial statements have been prepared on a going concern basis using historical cost convention except where stated otherwise.

*(c) Functional currency and presentation currency*

Since the Group operates in an international environment and conducts most of its transactions in foreign currencies, the Group has chosen to retain United States Dollar (USD) as its reporting currency. The Group determines its functional currency based on the primary economic environment in which the Group operates.

The consolidated financial statements are presented in United States Dollar (USD) which is the Group's functional and presentation currency.

## 3. Basis of consolidation

*(i) Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

*(ii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*(iii) Non-Controlling Interests (NCI)*

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*(iv) Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. **Basis of consolidation (continued)**

*(v) Interests in equity accounted investees*

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

*(vi) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*Goodwill*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

*Intangible assets (other than goodwill)*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

*Investment in subsidiaries*

In the consolidated financial statements, the basis of consolidation detailed above is applied.

*Available-for-sale financial assets*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

4. **Significant accounting policies (continued)**

*Held-to-maturity investments*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

*Fair value measurement*

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

*Consolidated financial statements of foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to USD at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to USD at rates approximating to the foreign exchange rates ruling at the dates of the transactions or average rates. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

4. **Significant accounting policies (continued)**

*Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at reporting date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss and other comprehensive income.

*Impairment*

The carrying amount of the Group's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such assets is estimated and impairment is recognised in the consolidated statement of profit or loss and other comprehensive income.

*Financial instruments*

Financial assets and financial liabilities are recognised when the Group becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value. The Group de-recognises financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments.

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. **Significant accounting policies (continued)**

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

*Revenue recognition*

Income from investments is included in the consolidated statement of profit or loss and other comprehensive income when the shareholder's right to receive payment is established.

Revenue is recognised when it is probable that the economic benefits will flow to the Subsidiaries and when the revenue can be measured reliably, on the following bases:

*(a)* from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Sales are recognised when invoices are made and delivered to customers at the time of shipment;

*(b)* handling fee income, in the period in which the services are rendered; and

*(c)* interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

*Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

*Bank Borrowings*

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Group's policy for borrowing cost.

**4. Significant accounting policies (continued)**

*Operating Leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

*Related parties*

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

*Equity Instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the issuance of shares.

*Cash and cash equivalents*

Cash comprises cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

4. **Significant accounting policies (continued)**

*Finance leases and hire purchase commitments*

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are accounted for as finance leases.

Assets held under finance leases of hire purchase commitments are recognised as assets of the Group at the lower of their fair value or present value of the minimum lease payments at the date of acquisition. The depreciation policy for such assets is consistent with that for equivalent depreciable assets which are owned by the Group, unless there is no reasonable certainty that the Group will obtain the ownership of such assets by the end of the lease terms, in which case the assets will be fully depreciated over the shorter of the lease terms or their estimated useful life.

The corresponding liability to the lessor or hire purchase creditor is included in the consolidated statement of financial position as an obligation under finance lease or hire purchase contract. The finance costs, which represent the difference between the total leasing commitments and the outstanding principal amount at the date of inception of the finance lease or hire purchase contract, are charged to the consolidated statement of profit or loss and other comprehensive income at a constant periodic rate on the remaining balance of the obligations under finance leases or hire purchase commitments for each accounting period.

*Property, plant and equipment*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or constructions of qualifying assets are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

*Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in consolidated statement of profit or loss and other comprehensive income as incurred.

4. **Significant accounting policies (continued)**

*Property, plant and equipment (continued)*

*Depreciation*

Depreciation is recognised in consolidated statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Leasehold land and buildings | over the shorter of the lease term and 33.33% |
| Infrastructure | 20% straight line basis |
| Computer and equipment | 10 - 33.33% straight line basis |
| Fixtures, fittings and equipment | 10% - 33.33% straight line basis |
| Motor vehicle | 14% - 33.33% straight line basis |
| Plant and machinery | 20% - 25% straight line basis |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes indicate the carrying value may not be recoverable. If any such indication exists and carrying values exceed recoverable amounts such assets are written down to their recoverable amounts.

*Investment properties*

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at costs, including transaction costs and any direct attributable expenditure, and subsequently at cost less accumulated depreciation and any impairment.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property, which is the shorter of 50 years and the terms of the lease.

Any gain or loss on disposal recognised in the statement of profit or loss and other comprehensive income in the year the investment property is derecognised is the difference between the net sales proceeds and the carrying amount of the property.

*Taxation*

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

**4. Significant accounting policies (continued)**

*Taxation (continued)*

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously'

*Inventories*

Inventories are valued at the lower of cost and net realisable value.

The cost of inventories is based on the First In First Out (FIFO) principle and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress cost include an appropriate share of production overhead based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. **Significant accounting policies (continued)**

*Trade and other receivables*

Trade debts, other receivables and factored debt are stated at original invoice as reduced by appropriate provision for impairment. Bad debts are written off when identified.

*Stated capital*

*Ordinary shares*

Ordinary shares are classified in equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

*Dividends*

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends are recognised as a liability when they are approved by the shareholders before the reporting date. Dividends declared after the reporting date is disclosed in notes to accounts.

*Trade and other payables*

Trade and other payables are stated at cost.

*Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

*Contingent Liabilities*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability is not recognised but is disclosed in the notes to the financial statements.

4. **Significant accounting policies (continued)**

*Employee benefits*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

*Other employee benefits*

The Group operates a mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Sri Lanka, Chile and Mainland China are required to participate in central pension schemes operated by the respective local municipal governments. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective central pension schemes.

*Derivative financial instruments and hedge accounting*

*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

4. **Significant accounting policies (continued)**

*Derivative financial instruments and hedge accounting (continued)*

*Initial recognition and subsequent measurement (continued)*

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship with which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument for cash flow hedges is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other expenses.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

4. **Significant accounting policies (continued)**

*Derivative financial instruments and hedge accounting (continued)*

*Initial recognition and subsequent measurement (continued)*

*Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

*Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment eg Sourcing, Manufacturing and others), or in providing products or services within a particular economic environment, which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business segments. The Group's primary format for segment reporting is based on business segments.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## 5. Application of new and revised International Financial Reporting Standards (IFRSs)

### 5.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 01 April 2017.

**Disclosure Initiative (Amendments to IAS 7)**

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The application of the above adoption did not have significant impact on the Company's financial statements.

**Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)**

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The application of the above adoption did not have significant impact on the Group's financial statements.

5. **Application of new and revised International Financial Reporting Standards (IFRSs)(continued)**

**5.2 Amendments to IFRSs that are issued but not effective for the current year**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2017 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

***Effective for the financial year commencing 1 January 2018***

*IFRS 9 Financial Instruments*

***Standard available for optimal adoption***

*IFRS 10 and IAS 28*

**IFRS 9 Financial Instruments**

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard will have an impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)**

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

**IFRS 15 Revenue from contracts with customers**

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The application of the above adoption did not have significant impact on the Group's financial statements.

## 6. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarised as follows:

(a) *Impairment of property, plant and equipment*

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(b) *Impairment of trade and other receivables*

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade and bills receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(c) *Current tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

## 6. Critical accounting judgments and key sources of estimation uncertainty (continued)

(d) *Impairment of inventories*

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and the provision charge/write-back of provision for obsolete and slow-moving inventory items in the period in which estimate has been changed.

(e) *Goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2018 was USD 7,085,992

(f) *Foreign payables and foreign receivables*

Certain foreign payables and foreign receivables are not translated at the rates prevailing on the balance sheet date, because in the directors' opinion the payables are covered by the forward exchange contracts and the receivables will be collected at the sterling amount in the consolidated financial statements. Any net overstatement or net understatement of foreign exchange differences is not considered to be material.

## 7. Financial instruments – Fair values and risk management

### *Accounting classifications and fair value*

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| 31 March 2018 | Available for sale | Held to maturity | Loans and receivables USD | Other financial liabilities USD | Total USD | Level 1 USD | Level 2 USD | Level 3 USD | Total USD |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Available-for-sale investments | 8,751,192 | - | - | - | 8,751,192 | - | - | 8,751,192 | 8,751,192 |
| Held-to-maturity investments | - | 3,941,956 | - | - | 3,941,956 | - | - | - | - |
| Receivables | - | - | 782,101 | - | 782,101 | - | - | - | - |
| Trade and other receivables | - | - | 160,919,328 | - | 160,919,328 | - | - | - | - |
| Derivative financial instruments | 95,548 | - | - | - | 95,548 | - | - | 95,548 | 95,548 |
| Cash & cash equivalents | - | - | 17,113,693 | - | 17,113,693 | - | - | | |
| | 8,846,740 | 3,941,956 | 178,815,122 | - | 191,603,818 | - | - | 8,846,740 | 8,846,740 |
| **Financial liabilities** | | | | | | | | | |
| Loans | - | - | - | 82,695,649 | 82,695,649 | - | - | - | - |
| Trade and other payables | - | - | - | 81,007,899 | 81,007,899 | - | - | - | - |
| Derivative financial instruments | - | - | - | 263,471 | 263,471 | - | - | - | - |
| Obligations under finance lease | - | - | - | 3,214 | 3,214 | - | - | - | - |
| | - | - | - | 163,970,233 | 163,970,233 | - | - | - | - |

## 7. Financial instruments – Fair values and risk management (continued)

***Accounting classifications and fair values (continued)***

| 31 March 2017 | Available for sale USD | Held to maturity USD | Loans and receivables USD | Other financial liabilities USD | Total USD | Level 1 USD | Level 2 USD | Level 3 USD | Total USD |
|---|---|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | | | |
| Available-for-sale investments | 6,162,341 | - | - | - | 6,162,341 | - | - | 6,162,341 | 6,162,341 |
| Held-to-maturity investments | - | 3,153,108 | - | - | 3,153,108 | - | - | - | - |
| Receivables | - | - | 417,973 | - | 417,973 | - | - | - | - |
| Trade and other receivables | - | - | 147,994,505 | - | 147,994,505 | - | - | - | - |
| Derivative financial instruments | 158,017 | - | - | - | 158,017 | - | - | 158,017 | 158,017 |
| Cash & cash equivalent | - | - | 20,246,331 | - | 20,246,331 | - | - | | |
| | 6,320,448 | 3,153,108 | 168,527,305 | - | 178,132,365 | - | - | 6,320,448 | 6,320,448 |
| Financial liabilities | | | | | | | | | |
| Loans | - | - | - | 68,154,430 | 68,154,430 | - | - | - | - |
| Trade and other payables | - | - | - | 61,886,172 | 61,886,172 | - | - | - | - |
| Derivative financial instruments | - | - | - | 53,074 | 53,074 | - | - | - | - |
| Obligation under finance lease | - | - | - | 16,346 | 16,346 | - | - | - | - |
| Bank overdrafts | - | - | - | 8,393 | 8,393 | -- | - | - | - |
| | - | - | - | 130,118,415 | 130,118,415 | - | - | - | - |

## 7. Financial instruments – Fair values and risk management (continued)

### Financial risk management

*Introduction and preview*

Financial instruments carried on the consolidated statement of financial position include available-for-sale investments, held-to-maturity investments, receivables, trade and other receivables, cash and cash equivalents, derivative financial instruments, loans, trade and other payables, obligation under hire purchase contracts, derivative financial instruments and bank overdrafts. The recognition method adopted is disclosed in the individual policy statement associated with each item. The most important types of risk are market risk, credit risk and liquidity risk.

The Group's activities expose them to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aims are therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews their risk management policies and systems to reflect changes in markets and emerging best practice.

Risk management is carried out by the Board of directors through board meetings. The Group provide principles for overall risk management.

*Overview*

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

*Market risk*

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Group's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Group conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

- *Price risk*

  The Group is not exposed to commodity price risk.

## 7. Financial instruments – Fair values and risk management (continued)

### Financial risk management (continued)

- *Interest rate risk*

  Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group has significant exposure to interest rate risk as shown below.

  Variable rate of interest is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

**Exposure**

| | % | **2018 USD** | 2017 USD |
|---|---|---|---|
| Bank overdrafts | 2.50% | **-** | 8,393 |
| Trust receipt loan | 1.5%-7% over base rate | **28,305,353** | 28,359,827 |
| Other bank loans | 1%-2% over base rate | **45,068,746** | 34,942,018 |
| | | **73,374,099** | 63,310,238 |

**Sensitivity analysis**

If interest rates had been higher/lower by 50 basis points and all other variables were held constant, the profit before tax for the year ended 31 March 2018 would increase/decrease by USD 366,871 (2017: USD 316,551). This is mainly attributable to the Group's exposure to interest rates on variable rate of interest.

| | **Impact on profit before tax 2018 USD** | Impact on profit before tax 2017 USD |
|---|---|---|
| Bank overdrafts | **-** | 42 |
| Trust receipt loan | **141,527** | 141,799 |
| Other bank loans | **225,344** | 174,710 |
| | **366,871** | 316,551 |

7. **Financial instruments – Fair values and risk management (continued)**

**Financial risk management (continued)**

*Market risk (continued)*

- *Currency risk*

The majority of the Group's foreign currency transactions are in Pound Sterling (GBP), Hong Kong Dollar (HKD), Euro (EUR) and Bangladesh Taka (BDT). Consequently, the Group is exposed to the risk that the exchange rate of the United States Dollar (USD) relatively to the GBP, EUR, HKD and BDT may change in a manner which has a material effect on the reported values of the Group's assets and liabilities which are denominated in USD.

*Currency profile*

| | **Financial assets 2018 USD** | **Financial liabilities 2018 USD** | Financial assets 2017 USD | Financial liabilities 2017 USD |
|---|---|---|---|---|
| **USD** | **16,987,776** | **6,701,334** | 12,038,441 | 999,438 |
| **GBP** | **7,868,856** | **4,874,396** | 5,352,887 | 2,763,186 |
| **EUR** | **3,054,975** | **995,489** | 2,562,843 | 156,167 |
| **HKD** | **162,256,705** | **149,124,037** | 157,598,851 | 126,153,122 |
| **BDT** | **1,435,507** | **2,274,976** | 579,343 | 46,502 |
| | **191,603,818** | **163,970,233** | 178,132,365 | 130,118,415 |

**Sensitivity analysis**

| **Currency** | **2018 USD** | 2017 USD |
|---|---|---|
| **GBP** | **299,446** | 258,970 |
| **HKD** | **1,313,267** | 3,144,573 |
| **EUR** | **205,949** | 240,668 |
| **BDT** | **(83,947)** | 53,284 |
| **Total** | **1,734,715** | 3,967,495 |

## 7. Financial instruments – Fair values and risk management (continued)

### Financial risk management (continued)

*Currency risk (continued)*

A 10 % strengthening of USD against the above currencies at 31 March 2018 would have increased net profit before tax by USD 1,734,715 (2017: USD 3,967,495). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2017.

Similarly a 10 percent weakening of the USD against the above currencies at 31 March 2018 will have had the exact reverse effect.

*Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations, and arises from the Group's cash and cash equivalents.

The Group also limits its exposure to credit risk by dealing only with counterparties that has a good credit rating and management does not expect counter party to fail to meet its obligations. In addition, in some areas companies also take credit risk insurance to mitigate any future losses.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit risk at the reporting date was:

| | *Carrying Amount* | |
|---|---|---|
| | **2018** | 2017 |
| | **USD** | USD |
| Trade and other receivables | **160,919,328** | 147,994,505 |
| Cash and cash equivalents | **17,113,693** | 20,246,331 |
| Available-for-sale investments | **8,751,192** | 6,162,431 |
| Receivables | **782,101** | 417,973 |
| Held-to-maturity investments | **3,941,956** | 3,153,108 |
| Derivative financial instruments | **95,548** | 158,017 |
| | **191,603,818** | 178,132,365 |

7. **Financial instruments – Fair values and risk management (continued)**

**Financial risk management (continued)**

*Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the Group's contractual maturities of financial liabilities

*31 March 2018*

| | Carrying amount USD | Due on Demand USD | Within one year USD | One-five years USD | More than five years USD |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| **Loans** | **82,695,649** | **-** | **74,879,285** | **7,816,364** | **-** |
| **Trade and other payables** | **81,007,899** | **-** | **81,007,899** | **-** | **-** |
| **Obligation under finance lease** | **3,214** | **-** | **3,214** | **-** | **-** |
| **Derivatives financial instrument** | **263,471** | **-** | **263,471** | **-** | **-** |
| **Bank overdrafts** | **-** | **-** | **-** | **-** | **-** |
| **Total financial liabilities** | **163,970,233** | **-** | **156,153,869** | **7,816,364** | **-** |

*31 March 2017*

| | Carrying amount USD | Due on Demand USD | Within one year USD | One-five years USD | More than five years USD |
|---|---|---|---|---|---|
| Financial liabilities | | | | | |
| Loans | 68,154,430 | - | 64,271,783 | 3,882,647 | - |
| Trade and other payables | 61,886,172 | - | 61,886,172 | - | - |
| Bank overdrafts | 8,393 | 8,393 | - | - | - |
| Obligation under finance lease | 16,346 | - | 16,346 | - | - |
| Derivatives financial instrument | 53,074 | - | 53,074 | - | - |
| Total financial liabilities | 130,118,415 | 8,393 | 126,227,375 | 3,882,647 | - |

## 8. Capital management

The Group actively and regularly reviews and manages its capital position to maintain a balance between its liability and equity level.

The management of the Group's capital position is undertaken by the management team of the Group. The management team ensures that the Group is adequately capitalised to meet economic and regulatory requirements. Capital injections and repatriations are executed in a timely manner, working closely with the business and infrastructure groups. The management team meets on a regular basis and manages capital by taking into account key considerations which may include business developments, regulatory requirements, profitability and market movements such as foreign exchange and interest rate.

## 9. Revenue

Revenue consists of the following:

| | **2018 USD** | 2017 USD |
|---|---|---|
| Sales | **755,088,908** | 679,392,069 |

## 10. Net finance costs

| | **2018 USD** | 2017 USD |
|---|---|---|
| **Finance income** | | |
| Interest income | **168,455** | 24,447 |
| Exchange differences | **1,329,238** | - |
| | **1,497,693** | 24,447 |
| **Finance costs** | | |
| Loan interest and Letter of Credit charges | **(2,993,781)** | (1,193,120) |
| Exchange differences | **-** | (125,142) |
| | **(2,993,781)** | (1,318,262) |
| **Net finance costs** | **(1,496,088)** | (1,293,815) |

11. **Taxation**

Taxation represents a provision made by the Group based on the current rates applicable on their chargeable income and deferred taxation for temporary differences.

The tax rate applicable is 10% - 25%.

Tax recognised in statement of profit or loss and other comprehensive income:

| | 2018 USD | 2017 USD |
|---|---|---|
| **Current tax expense** | | |
| Current year | **557,045** | 737,463 |
| Adjustment for prior years | **(165,004)** | (565,079) |
| | **392,041** | 172,384 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary difference | **6,684** | 316,098 |
| Recognition of previously unrecognised tax losses | **-** | 232,465 |
| | **6,684** | 548,563 |
| **Total tax expense** | **398,725** | 720,947 |

*Reconciliation of effective tax rate*

| | 2018 USD | 2017 USD |
|---|---|---|
| Profit before taxation | **3,860,617** | 6,384,408 |
| Tax at the applicable tax rate | **484,724** | 1,650,302 |
| Effect of tax rates in foreign jurisdictions | **148,637** | 117,870 |
| Non-deductible expenses | **812,174** | 804,292 |
| Tax exempt income | **(2,480,100)** | (1,789,219) |
| Group relief surrendered | **6,943** | (32,198) |
| Deemed tax credit | **(39,512)** | (495,840) |
| Tax losses utilised | **(17,532)** | (36,795) |
| Others | **1,847,453** | 816,304 |
| Deferred tax not recognised | **(207,261)** | 251,264 |
| Over provided in prior years | **(156,801)** | (565,033) |
| | **398,725** | 720,947 |

11. **Taxation(continued)**

PG Group Limited

As at the end of the reporting period, certain subsidiaries of PG Group Limited have unused tax losses arising in Mainland China of USD 5,290 (2017: USD 19,436 that will expire in five years for offsetting against future taxable profits. Another overseas subsidiary of the group also had tax losses arising in Chile of USD 874,458 (2017: USD 809,178), that are available indefinitely for offsetting against future taxable profits of that subsidiary.

At the end of the reporting period, deferred tax assets have not been recognized in respect of the unused tax losses of USD 479,748 (2017: USD 828,614), which are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect these unused tax losses items as it is not considered probable that taxable profits will be available against which these unused tax losses can be utilized.

## 12. Property, plant and equipment

| | Land and buildings leasehold USD | Plant and machinery USD | Fixtures, fittings and equipment USD | Motor vehicles USD | Total USD |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 01 April 2016 | 6,020,530 | 1,371,980 | 8,953,840 | 1,055,418 | 17,401,768 |
| Additions/ transfers during the year | 212,261 | 1,333,690 | 552,460 | 84,574 | 2,182,985 |
| Disposals during the year | 2,638 | - | (140,608) | - | (137,970) |
| Transfer to investment properties | (3,553,283) | - | - | - | (3,553,283) |
| Adjustments during the year | (5,487) | - | (76,724) | - | (82,211) |
| Exchange re-alignment | (8,995) | - | (17,818) | (6,916) | (33,729) |
| Effect of changes in exchange rates | (224,805) | (187,495) | (158,800) | (7,229) | (583,744) |
| At 31 March 2017 | 2,442,859 | 2,518,175 | 9,112,350 | 1,125,847 | 15,199,231 |
| At 01 April 2017 | **2,442,859** | **2,518,175** | **9,112,350** | **1,125,847** | **15,199,231** |
| Additions/ transfers during the year | **2,030,868** | **4,273,483** | **3,643,518** | **14,784** | **9,962,653** |
| Disposal during the year | **-** | **-** | **(8,124)** | **-** | **(8,124)** |
| Adjustments during the year | **345,106** | **211,400** | **(10,550)** | **-** | **545,956** |
| Exchange re-alignment | **5,703** | **-** | **32,554** | **1,272** | **39,529** |
| Effect of changes in exchange rates | **(598,894)** | **259,232** | **(195,700)** | **(6,510)** | **(541,873)** |
| At 31 March 2018 | **4,225,642** | **7,262,290** | **12,574,048** | **1,135,392** | **25,197,372** |
| *Depreciation* | | | | | |
| At 01 April 2016 | 2,404,018 | 1,139,661 | 7,295,495 | 691,082 | 11,530,256 |
| Charge for the year | 141,045 | 88,711 | 921,809 | 199,027 | 1,350,590 |
| Disposals during the year | - | - | (100,718) | - | (100,718) |
| Transfer to investment property | (326,717) | - | | - | (326,717) |
| Adjustment during the year | 3,814 | - | (115,724) | - | (111,910) |
| Exchange re-alignment | (1,800) | - | (12,657) | - | (14,457) |
| Effect of changes in exchange rates | (111,538) | (146,939) | (154,860) | (5,984) | (419,321) |
| At 31 March 2017 | 2,108,822 | 1,081,433 | 7,833,343 | 884,125 | 11,907,723 |
| At 01 April 2017 | **2,108,822** | **1,081,433** | **7,833,343** | **884,125** | **11,907,723** |
| Charge for the year | **284,480** | **352,193** | **941,825** | **170,244** | **1,748,742** |
| Disposal during the year | **-** | **-** | **-** | **-** | **-** |
| Adjustment during the year | **-** | **6,948** | **26,690** | **76** | **33,714** |
| Exchange re-alignment | **2,859** | **-** | **117,787** | **-** | **120,646** |
| Effect of changes in exchange rates | **83,377** | **210,247** | **164,548** | **(12,501)** | **445,671** |
| **At 31 March 2018** | **2,479,538** | **1,650,821** | **9,084,193** | **1,041,944** | **14,256,496** |
| *Net book value* | | | | | |
| **At 31 March 2018** | **1,746,104** | **5,611,474** | **3,489,854** | **93,444** | **10,940,876** |
| At 31 March 2017 | 334,037 | 1,436,742 | 1,279,007 | 241,722 | 3,291,508 |

12. **Property, plant and equipment (continued)**

land and building freehold held by Poeticgem Limited has been transferred to investment properties during the year.

12(ii) **Capital work in progress**

| | **USD** |
|---|---|
| *Cost* | |
| At 01 April 2016 | - |
| Addition during the year | 1,677,712 |
| Effect of changes in exchange rates | (2,660) |
| At 31 March 2017 | 1,675,052 |
| At 01 April 2017 | 1,675,052 |
| Addition during the year | 2,539,805 |
| Effect of changes in exchange rates | (28,645) |
| Adjustment during the year | 490,926 |
| **At 31 March 2018** | 4,677,138 |

13. **Intangible assets**

| | Goodwill USD | Trademarks and Brand name USD | Design and development USD | Total USD |
|---|---|---|---|---|
| *Cost* | | | | |
| At 01 April 2016 | 7,087,015 | 210,585 | 182,675 | 7,091,122 |
| Addition during the year | - | 73,978 | 2,317 | 441,023 |
| Impairment | - | - | (182,675) | (182,675) |
| Adjustment during the year | 24,424 | - | - | 24,425 |
| **At 31 March 2017** | **7,085,992** | **281,321** | **2,317** | **7,373,895** |
| At 01 April 2017 | 7,087,015 | 284,563 | 2,317 | 7,373,895 |
| Addition during the year | - | 1,539 | - | 1,539 |
| Impairment | - | (4,189) | - | (4,189) |
| Adjustment during the year | 24,424 | - | - | 24,424 |
| Exchange realignment | (25,447) | (592) | - | (26,039) |
| **At 31 March 2018** | **7,085,992** | **281,321** | **2,317** | **7,369,630** |
| *Amortisation* | | | | |
| At 01 April 2016 | - | 170,109 | - | 170,109 |
| Charge for the year | - | 21,161 | **1,796** | 22,957 |
| Exchange realignment | - | 119 | **521** | 640 |
| **At 31 March 2017** | - | **191,389** | **2,317** | **193,706** |
| At 01 April 2017 | - | 191,389 | 2,317 | 193,706 |
| Charge for the year | - | 28,226 | - | 28,226 |
| Exchange realignment | - | - | - | - |
| **At 31 March 2018** | - | **219,615** | **2,317** | **221,932** |
| **At 31 March 2018** | **7,085,992** | **61,706** | - | **7,147,698** |
| At 31 March 2017 | 7,087,015 | 93,174 | - | 7,180,189 |

Trademarks and Brand name are amortised over a period of 3 - 5 years which in the opinion of the directors is the estimated economic life.

## 14. Available-for-sale investments

| | 2018 USD | 2017 USD |
|---|---|---|
| **Non-current assets** | | |
| Others | **4,916,163** | 5,364,607 |
| **Current assets** | | |
| Others | **3,835,029** | 797,824 |

During the year, the gross loss of the Group's available-for-sale investments recognised directly in other comprehensive income amounted to USD 218,753 (2017: gross loss of USD 555,031).

The above investments have been designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

## 15. Held-to-maturity investments

| | 2018 USD | 2017 USD |
|---|---|---|
| Listed debentures | **3,941,956** | 3,153,108 |

The movement in held to maturity financial assets is summarized as follows:

| | 2018 USD | 2017 USD |
|---|---|---|
| At the beginning of the year | **3,153,108** | 3,356,415 |
| Additions | **3,582,279** | 467,395 |
| Disposal | **(2,744,434)** | (346,210) |
| Exchange realignment | **(48,977)** | (324,492) |
| | **3,941,956** | 3,153,108 |

Held-to-maturity financial assets are denominated in USD and GBP.

16. **Investment in Joint Venture**

| | **2018 USD** | 2017 USD |
|---|---|---|
| *Cost* | | |
| At 01 April | **1,871,381** | 1,213,241 |
| Addition during the year | **1,423,852** | 658,140 |
| At 31 March | **3,295,233** | 1,871,381 |
| Share of net liabilities | | |
| At 01 April | **(740,842)** | (457,067) |
| Net liabilities during the year | **(168,223)** | (283,775) |
| At 31 March | **(909,065)** | (740,842) |
| Net book value at 31 March | **2,386,168** | 1,130,539 |

The amount due from a joint venture is unsecured, interest-free and have no fixed term of repayment.

In the opinion of the directors, these loans are considered as part of the Group's net investment in the joint venture.

Particulars of the Group's joint venture are as follows:

| **Name** | **Particulars of issued shares held** | **Place of registration and business** | **Percentage of** | | | **Principal activities** |
|---|---|---|---|---|---|---|
| | | | **Ownership interest** | **Voting power** | **Profit sharing** | |
| Sourcing Solutions Limited | Registered capital of USD 1 each | Hong Kong | 50 | 50 | 50 | Trading of garments products |
| Sourcing East West Limited | Registered capital of USD 1 each | Hong Kong | 50 | 50 | 50 | Yet to start operation |

## 17. Investment Property

| | Total USD |
|---|---|
| *Cost* | |
| At 01 April 2016 | 19,257,167 |
| Addition / transfer | 6,985 |
| Transfer from property, plant and equipment | 3,553,283 |
| Effect of changes in exchange rates | (1,256,578) |
| At 31 March 2017 | 21,560,857 |
| At 01 April 2017 | **19,257,167** |
| Addition / transfer | **29,411** |
| Transfer from property, plant and equipment | - |
| Effect of changes in exchange rates | **856,887** |
| **At 31 March 2018** | **22,446,955** |
| *Depreciation* | |
| At 01 April 2016 | 3,298,638 |
| Charge for the year | 430,493 |
| Transfer from property, plant and equipment | 326,717 |
| Effect of changes in exchange rates | - |
| At 31 March 2017 | 4,055,848 |
| At 01 April 2017 | **4,055,848** |
| Charge for the year | **411,216** |
| Transfer from property, plant and equipment | - |
| Effect of changes in exchange rates | **(51,222)** |
| At 31 March 2018 | **4,415,842** |
| *Net book value* | |
| **At 31 March 2018** | **18,031,113** |
| At 31 March 2017 | 17,505,009 |

17. **Investment Property (continued)**

*Norwest Industries Limited*

The investment properties are one residential property in the United Kingdom and two industrial properties in Hong Kong. The investment properties consist of two classes of asset, i.e., residential and industrial, based on the nature, characteristics, risks of each property. The investment properties are measured initially at cost less accumulated depreciation and provision for any impairment in value.

The industrial properties were revalued on 31 March 2018 based on valuations performed by an independent professionally qualified valuers, at HKD 116,000,000 (2017: HKD 106,000,000). The fair value of the residential property of GBP 8,000,000 (2017: GBP 8,500,000) was determined by the company's directors and no valuation has been performed by an independent professionally qualified valuer.

At 31 March 2018, all of the investment properties were pledged to secure the general banking facilities granted to the Norwest Industries Limited and subsidiaries.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement as at 31 March 2018 using

| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Recurring fair value measurement for: | | | | |
| Residential property | - | GBP 8,000,0000 | | GBP 8,000,0000 |
| Industrial properties | - | HKD 116,000,000 | | HKD 116,000,000 |

Fair value measurement as at 31 March 2017 using

| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Recurring fair value measurement for: | | | | |
| Residential property | - | GBP 8,500,0000 | - | GBP 8,500,000 |
| Industrial properties | - | HKD 106,000,000 | - | HKD 106,000,000 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

17. **Investment Property (continued)**

*Poeticgem Limited*

During the year an individual property held by poeticgem Limited has been transferred from plant and equipment.

**Security**
Properties with a carrying value of GBP 2,275,604 (2017: USD 2,294,691) are subject to legal change.

**Valuation**
Properties with a carrying value of GBP 2,275,604 (2017:USD 2,294,691) are currently being held for the purpose of rental income from a third party. No formal valuation has been undertaken by an external independent valuer or the directors. In the opinion of the directors, the open market value of the property is not materially difference form the stated amount.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement as at 31 March 2018 using

| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Recurring fair value measurement for: | | | | |
| Properties | - | GBP 2,275,604 | - | GBP 2,275,604 |

Fair value measurement as at 31 March 2017 using

| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Recurring fair value measurement for: | | | | |
| Residential property | - | GBP 2,294,691 | - | GBP 2,294,691 |

18. **Receivables**

| | 2018 | 2017 |
|---|---|---|
| | **USD** | USD |
| Long term receivable | **596,194** | 300,000 |
| Refundable deposits in Poeticgem | **81,303** | 71,453 |
| Security deposit | **41,722** | 46,520 |
| Prepayment | **943,229** | - |
| Other | **62,882** | - |
| | **1,725,330** | 417,973 |

19. **Deferred tax assets**

| | 2018 | 2017 |
|---|---|---|
| | **USD** | USD |
| At 01 April | **18,240** | 640,340 |
| Movement during the year | **-** | (71,284) |
| Charge to the statement of profit or loss during the year | **6,684** | (550,816) |
| **At 31 March** | **24,924** | 18,240 |
| Deferred tax assets on: | | |
| - Depreciation | **24,924** | 18,240 |
| - Cash flow hedges | **-** | - |
| | **24,924** | 18,240 |

20. **Inventories**

| | 2018 | 2017 |
|---|---|---|
| | **USD** | USD |
| Finished goods and goods for resale | **1,018,714** | 1,243,930 |
| Raw materials | **6,715,454** | 4,025,929 |
| Good in transit | **1,658,847** | 56,468 |
| Work in progress | **613,209** | - |
| | **10,006,224** | 5,326,327 |
| Cost of inventory recognised in the consolidated statement of profit or loss and other comprehensive income | **659,318,729** | 598,786,462 |

21. **Trade and other receivables**

| | 2018 USD | 2017 USD |
|---|---|---|
| Trade and accounts receivables | **120,314,127** | 110,333,977 |
| Non-trade receivables and prepaid expenses | **19,875,833** | 14,543,045 |
| Pledged time deposits | **17,504,942** | 17,538,274 |
| Amounts due from related parties | **7,743,005** | 7,815,270 |
| | **165,437,907** | 150,230,566 |

An analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018 USD | 2017 USD |
|---|---|---|
| Neither past due nor impaired | **91,693,697** | 92,260,977 |
| Past due but not impaired: | **28,620,430** | 18,073,000 |
| | **120,314,127** | 110,333,977 |

*Note:*
Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default. These apply to most of the subsidiaries.

*Additional information:*

*Norwest Industries Limited*

As at the end of the reporting period, Norwest Industries Limited and its subsidiaries had transferred certain bills of exchange amounting to USD 5,868,699 (2017: USD 7,275,380) to banks with recourse in exchange for cash. The proceeds of the Norwest Industries Limited and its subsidiaries from transferring the bills receivable of USD 5,868,699 (2017: USD 7,275,380) have been accounted for as collateralised bank advances and have been included in interest-bearing bank borrowings until the bills are collected or Norwest Industries Limited and its subsidiaries make good of any losses incurred by the banks.

*PG Group Limited*

As at the end of the reporting period, included in PG Group Limited and its subsidiaries trade receivables of USD 3,258,406 (2017: USD 1,678,706) is an amount due from Grupo Extremo SUR S.A. ("Grupo"), a related company which is repayable on credit terms similar to those offered to the major customers of the PG Group Limited and its subsidiaries.

## 22. Stated capital

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| *Stated capital* | | |
| 21,948,270 ordinary shares of USD 1 each | **21,948,270** | 21,948,270 |

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

23. **Reserves**

| | Hedging reserves | Translation reserves | Capital reserves | Retained earnings | Available-for-sale investment reserves | Total |
|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD |
| At 01 April 2017 | 52,820 | (4,919,387) | (1,368,633) | 55,642,153 | (472,078) | 48,934,875 |
| **Transactions with owners of the Company** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Dividend declared and paid | - | - | - | (1,000,000) | - | (1,000,000) |
| Adjustment during the year | - | 1,696,260 | 2,792 | (1,553) | - | 1,697,499 |
| **Total comprehensive income** | | | | | | |
| Loss for the year | - | - | - | (785,630) | - | (785,630) |
| **Other comprehensive income** | | | | | | |
| Net movement in available-for-sale investment reserves | - | - | - | - | (186,828) | (186,828) |
| Net movement in exchange reserves | - | - | - | 759,019 | - | 759,019 |
| Foreign currency translation differences on foreign operations | - | (665,780) | - | - | - | (665,780) |
| Net loss on cash flow hedges | (231,043) | - | - | - | - | (231,043) |
| **At 31 March 2018** | **(178,223)** | **(3,888,907)** | **(1,365,841)** | **54,613,989** | **(658,906)** | **48,522,112** |

*Translation reserves*

The translation reserves comprises all foreign currency differences arising from the translation of the consolidated financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

*Hedging reserves*

The hedging reserves comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

24. **Non-controlling interest**

| | Stated capital USD | Share Application monies USD | Hedging reserves USD | Translation reserves USD | Capital reserves USD | Retained earnings USD | Available-for-sale investment reserves USD | Total USD |
|---|---|---|---|---|---|---|---|---|
| At 01 April 2017 | 1,812,922 | 489 | 17,205 | (802,764) | 1,122,247 | 9,793,716 | (83,308) | 11,860,507 |
| **Transactions with owners of the Company** | | | | | | | | |
| **Contributions and distributions** | | | | | | | | |
| Issue of shares to minority | 7,326 | - | - | - | - | - | - | 7,326 |
| Share application monies to minority | - | (481) | - | - | - | - | - | (481) |
| Dividend declared and paid | - | - | - | - | - | (2,296,714) | - | (2,296,714) |
| | - | - | - | 299,340 | 615 | (1,996,532) | - | (1,696,577) |
| Adjustments during the year | | | | | | | | |
| **Total comprehensive income** | | | | | | | | |
| Profit for the year | - | - | - | - | - | 4,247,522 | - | 4,247,522 |
| **Other comprehensive income** | | | | | | | | |
| Net movement in available for sale investment reserves | - | - | - | - | - | - | (31,925) | (31,925) |
| Net movement in exchange reserves | - | - | - | - | - | 251,053 | - | 251,053 |
| Foreign currency translation differences on foreign operations | - | - | - | (118,631) | - | - | - | (118,631) |
| Net gain on cash flow hedges | - | - | (40,772) | - | - | - | - | (40,772) |
| **At 31 March 2018** | **1,820,248** | **8** | **(23,567)** | **(622,055)** | **1,122,862** | **9,999,045** | **(115,233)** | **12,181,308** |

## 25. Long term loans

| | 2018 USD | 2017 USD |
|---|---|---|
| Bank loans | **7,729,440** | 3,804,887 |
| Other loans | **86,924** | 77,760 |
| | **7,816,364** | 3,882,647 |

*Banking facilities(Green Apparel limited & Progress manufacturing HK)*

General banking facilities granted by a bank were secured by fellow subsidiaries' corporate guarantee, directors' personal guarantee, bank guarantee and fellow subsidiary's properties.

## 26. Deferred tax liabilities

Deferred tax liabilities arise on accelerated tax depreciation.

| | 2018 USD | 2017 USD |
|---|---|---|
| At 01 April | - | 2,253 |
| Movement during the year | - | (2,253) |
| **At 31 March** | - | - |

27. **Short term loans**

| | 2018 USD | 2017 USD |
|---|---|---|
| Other bank loans | **45,068,746** | 34,942,018 |
| Trust receipt loans | **28,305,353** | 28,359,827 |
| Other payables | **1,505,187** | 969,938 |
| | **74,879,286** | 64,271,783 |

*(i) PG Group*

The import loans as at 31 March 2018 were denominated in USD, interest bearing at 3.09%-3.83% (2017: 2.36%-2.98%) per annum and were repayable within one to two months.

The interest bearing bank borrowings are guaranteed by the immediate holding company and a director of the Company.

*(ii) Norwest Industries Limited and its subsidiaries*

The Group's banking facilities are secured by way of:
(i) the pledge of the Group's time deposits amounted to USD 17,503,571 (2017:USD 18,192,382);
(ii) bank guarantees with aggregate of USD 1,784,109 (2017:USD 1,784,109);
(iii)guarantees from the immediate holding company, fellow subsidiaries, directors of the Company and a related party; and
(iv) certain of the Group's insurance deposits.

The bank loan is secured by the Group's investment property with a carrying amount of USD 1,586,947 (2017: USD 1,706,312, interest-bearing at 2.25% over one month HIBOR per annum and repayable by 119 equal monthly installments which commenced on 10 September 2006.

The bank loan is secured by the Group's investment property with a carrying amount of USD 2,52,025 (2017: USD 2,204,815), interest-bearing at 2% below HSBC's best lending rate per annum and repayable by 120 equal monthly installments whichcommenced on 30 September 2007.

The bank loan is secured by the Group's investment property with a carrying amount of USD 11,200,578 (2017: USD 11,258,741), interest-bearing at 2% over LIBOR per annum and repayable on 11 August 2020.

27. **Short term loans (continued)**

*(iii) Poeticgem Limited*

Bank loans are arranged at floating rates, thus exposing the company to cash flow interest rate risk.
The other principal features of the company's borrowings are as follows:
Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates to 2.5 percent per annum and is determined based on 2 percent plus base rate.

At 31 March 2018 the company had available USD 3,505,000 (2017: USD 10,33,600) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The company has advances from factors that are secured by a charge on the trade receivables of the company.

Other loans represent an amount of USD: Nil (2017: USD 703,674) due to Global Textile Group Limited, the company's immediate parent company. The amount is unsecured and repayable after more than one year. Interest is chargeable at a rate of 9% per annum on an amount of £NIL (2017: USD 311,380).

The carrying value of all the company's long term borrowings approximate to their fair value as at the reporting date.

*(iv) FX Import Hong Kong Limited*

The trust receipt loans as at 31 March 2018 were denominated in USD, interest-bearing at 3.72%-3.86% (2017: Nil) per annum and were repaid in April 2018 (2017: Nil)

The interest-bearing bank borrowings are guaranteed by the immediate holding company and a director of the company.

(iv) Zamira Fashion Limited, Techno Design HK Limited, Simple Approach Limited, Poeticgem International Limited, PDS Asia Star Corporation Limited and Green Apparel Industries limited.

Banking facilities

General banking facilities granted by a bank were secured by fellow subsidiaries' corporate guarantee, directors' personal guarantee, bank guarantee and fellow subsidiary's properties.

## 28. Cash and cash equivalents

Cash and cash equivalents comprise of:

| | 2018 USD | 2017 USD |
|---|---|---|
| Cash in hand and at banks | **17,113,693** | 20,246,331 |
| Bank overdrafts | **-** | (8,393) |
| | **17,113,693** | 20,237,938 |

*Norwest Industries Limited*

| | 2018 USD | 2017 USD |
|---|---|---|
| Cash and bank balances | **8,045,124** | 12,569,470 |
| Pledged time deposits | **17,504,945** | 17,538,274 |
| | **25,550,069** | 30,107,744 |
| Less: Pledged time deposits for banking facilities: | | |
| -with original maturity of less than three months when acquired | **(12,547,492)** | (11,563,395) |
| -with original maturity of more than three months when acquired | **(4,957,453)** | (5,974,879) |
| Cash and cash equivalents | **8,045,124** | 12,569,470 |

At the end of the reporting period, the cash and bank balances of Norwest Industries Limited and its subsidiaries denominated in Renminbi ("RMB") amounted to USD 28,237 (2017: USD 10,249). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of Norwest Industries Limited and its subsidiaries and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

## 29. Trade and other payables

| | 2018 USD | 2017 USD |
|---|---|---|
| Trade and bills payables | **72,741,800** | 57,436,962 |
| Non trade payables and accrued expenses | **8,266,100** | 4,449,210 |
| | **81,007,900** | 61,886,172 |

## 30. Derivative financial instruments

### Currency derivatives

One of the Sub-subsidiaries, Poeticgem Limited utilises currency derivatives to hedge significant future transactions and cash flows. The Sub-subsidiary is a party to a variety of foreign currency contracts and options in the management of its exchange rate exposures.

| | 2018 USD | 2017 USD |
|---|---|---|
| Forward foreign exchange (fair value) | **(14,245)** | (3,923) |

The terms of the forward foreign exchange contracts have been negotiated to match the terms of the commitments referred to below. The cash flow hedges of the expected future purchases were assessed to be highly effective and as at 31 March 2018, a recognised loss of USD 14,245 (2017 USD:3,923) was included in the hedging reserves in respect of these contracts.

At reporting date, the total notional amounts of outstanding forward foreign exchange contracts that the Sub-subsidiary has committed to are as below:

| | 2018 USD | 2017 USD |
|---|---|---|
| Forward foreign exchange contracts (cash flow hedges) | **4,618,565** | 1,328,947 |

These commitments have been entered into, to hedge against future payments to suppliers in the ordinary course of business.

30. **Derivative financial instruments (continued)**

**Currency derivatives (continued)**

**Foreign currency contracts**

One of the Subsidiaries, Norwest Industries Limited and its subsidiaries utilise foreign currency contracts.

Assets

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Foreign currency contracts | **95,548** | 158,017 |

Liabilities

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Foreign currency contracts | **263,471** | 53,074 |

The carrying amounts of foreign currency contracts are the same as their fair values.

*Forward currency contracts – cash flow hedges*

*Norwest Industries Limited*

At 31 March 2018, the Subsidiary Norwest Industries Limited and its subsidiaries as a group held 72 forward currency contracts (2017: 38) and they are designate as hedges in respect of expected future sales to customers in the United Kingdom for which the said group has firm commitments.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges of the expected future sales between April 2018 and July 2018 were assessed to be highly effective and a net loss of USD 271,815 (2017: a net gain of USD 441,359) was included in the hedging reserve as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Total fair value losses/(gains) included in the hedging reserves | **343,871** | (14,762) |
| Deferred tax on fair value gains | **-** | (14,880) |
| Reclassified from other comprehensive income to the statement of profit or loss | **(72,056)** | (493,074) |
| Deferred tax on reclassifications to profit or loss | **-** | 81,357 |
| **Net losses/(gains) on cash flow hedges** | **271,815** | (441,359) |

## 31. Segment Reporting

### Information about reportable segments

| | Sourcing | | Manufacturing | | Other segments | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2018 USD** | 2017 USD | **2018 USD** | 2017 USD | **2018 USD** | 2017 USD | **2018 USD** | 2017 USD |
| External revenues | **743,301,534** | 678,788,261 | **11,787,373** | 603,808 | **-** | - | **755,088,908** | 679,392,069 |
| Inter-segment revenue | **6,440,254** | 5,680,039 | **417,527** | - | **1,455,278** | 10,046,576 | **8,313,059** | 15,726,615 |
| Segment revenue | **749,741,788** | 684,468,300 | **12,204,900** | 603,808 | **1,455,278** | 10,046,576 | **763,401,967** | 695,118,684 |
| Interest revenue | **344,344** | 28,557 | **782** | - | **97,905** | - | **443,031** | 28,557 |
| Interest expense | **(2,697,667)** | (1,066,460) | **(299,640)** | (31,036) | **-** | - | **(2,997,307)** | (1,097,496) |
| Depreciation and amortisation | **(1,747,718)** | (1,804,040) | **(440,344)** | (74) | **(122)** | - | **(2,188,184)** | (1,804,114) |
| Segment profit/(loss) before tax | **4,651,416** | 8,945,511 | **(790,799)** | (1,601,872) | **6,384,409** | (959,230) | **3,860,617** | 6,384,409 |
| Segment assets | **211,182,222** | 196,611,360 | **24,002,163** | 4,255,749 | **8,320,114** | 9,242,657 | **243,504,499** | 210,109,766 |
| Capital expenditure | **2,019,639** | 1,360,461 | **7,812,948** | 2,529,784 | **-** | - | **9,832,587** | 3,890,245 |
| Segment liabilities | **189,035,151** | 158,230,233 | **46,936,533** | 7,647,217 | **5,204,061** | 5,444,017 | **241,175,746** | 171,321,467 |

31. **Segment Reporting (continued)**

**Reconciliations of information on reportable segments to IFRS measures**

| | 2018 USD | 2017 USD |
|---|---|---|
| **Revenue** | | |
| Total revenue for reportable segments | **761,946,689** | 685,072,108 |
| Revenue for other segments | **1,455,278** | 10,046,576 |
| Elimination of inter-segment revenue | **(8,313,059)** | (15,726,615) |
| **Consolidated revenue** | **755,088,908** | 679,392,069 |

| | 2018 USD | 2017 USD |
|---|---|---|
| **Profit or loss** | | |
| Total profit before tax for reportable segments | **4,651,416** | 7,343,638 |
| Total profit/(loss) before tax for Other segments | **(790,799)** | (959,230) |
| Unallocated amounts: Other corporate expenses | **-** | - |
| **Consolidated profit from continuing operations before tax** | **3,860,617** | 6,384,408 |

| | 2018 USD | 2017 USD |
|---|---|---|
| **Assets** | | |
| Total assets for reportable segments | **235,184,385** | 200,867,109 |
| Assets for other segments | **8,320,115** | 9,242,657 |
| Other unallocated amounts | **6,775,267** | 6,385,525 |
| **Consolidated total assets** | **250,279,767** | 216,495,290 |

| | 2018 USD | 2017 USD |
|---|---|---|
| **Liabilities** | | |
| Total liabilities for reportable segments | **235,971,684** | 165,877,450 |
| Liabilities for other segments | **5,204,061** | 5,444,017 |
| Other unallocated amounts | **(73,547,669)** | (37,569,829) |
| **Consolidated total liabilities** | **167,628,077** | 133,751,638 |

## 32. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subject to common control.

One director of the Company is deemed to have beneficial interests in the Administration Agreement between the Company, the Administrator and Secretary.

During the year under review, the Company entered into the following related party transactions.

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| *Transactions during the year:* | | |
| Amount received from other related parties | **511,218** | 173,571 |
| Amount advanced to other related parties | **(1,384,225)** | (365,717) |
| Consultancy fees accrued from JSM Trading Limited | **3,025,000** | 3,641,000 |
| Consultancy fees paid to JSM Trading Limited | **(2,675,000)** | (3,641,000) |
| Management fees accrued to Sourcing Solution Limited | **32,282** | - |
| Amount advanced to Sourcing Solution Limited | **(489,992)** | - |
| Corporate fees accrued from PDS Multinational Fashions Limited | **3,504,132** | 3,996,189 |
| Corporate fees paid PDS Multinational Fashions Limited | **(3,355,682)** | (4,814,997) |
| Amount received from Grupo Extremo SUR S.A | **1,176,355** | 339,350 |
| Sap fee accrued due to Pearl Global (HK) Limited | **-** | 43,026 |
| Sap fee paid to Pearl Global (HK) Limited | **-** | (95,344) |
| Amount repaid by/(advanced to) Pearl Global Industries Limited | **23,461** | (15,011) |
| Amount paid to JJ Star | **(240,000)** | - |
| Amount received from/(advanced to) JJ Star | **970,926** | (970,926) |
| Management fees accrued towards Digital Internet Technologies Limited | **-** | (39,600) |
| Amount received from/(advance to) Digital Internet Technologies Limited | **35,614** | (877) |
| Loan advanced to Redwood | **-** | (740,000) |
| Management fees accrued to Redwood | **(11,600)** | - |

32. **Related party transactions (continued)**

*Balances outstanding 31 March:*

| | | |
|---|---|---|
| Amount payable to other related parties | **(155,280)** | (666,498) |
| Amount receivable from other related parties | **2,477,242** | 1,093,018 |
| Amount receivable from Sourcing Solution Limited | **489,992** | - |
| Amount payable to Sourcing Solution Limited | **(32,282)** | - |
| Amount payable to JSM Trading Limited | **(350,000)** | - |
| Amount receivable from Grupo Extremo SUR S.A | **-** | (131,504) |
| Amount payable to Grupo Extremo SUR S.A | **(1,044,851)** | - |
| Amount receivable from Frou Holdings Limited | **475,509** | 475,509 |
| Amount receivable from PDS Multinational Fashions Limited | **1,147,599** | 1,296,049 |
| Amount payable to Pearl Global (HK) Limited | **(9,696)** | (9,696) |
| Amount receivable from Pearl Global Industries Limited | **-** | 23,461 |
| Amount payable to JJ Star | **-** | (240,000) |
| Amount receivable from JJ Star | **-** | 970,926 |
| Amount receivable from Digital Internet Technologies Limited | **4,999** | 40,477 |
| Amount receivable from Redwood | **751,600** | 740,000 |

33. **Contingent liabilities**

- At 31 March 2018, one of the Sub-subsidiary Poeticgem Limited's bankers, HSBC plc have given a guarantee to H M Revenue & Customs amounting to USD 701,000 (GBP 500,000) and to RBS PLC amounting to USD 51,783 (GBP 36,935) on behalf of the Sub-subsidiaries. Poeticgem Limited has extended an Unlimited Multilateral Guarantee on 28 August 2012 to HSBC on behalf of its subsidiaries, Pacific Logistics Limited and FX Import Company Limited. The bank has a fixed and floating charge over the assets of Poeticgem Limited which is supported by a debenture dated 11 September 2012.

  The contingent liability of Progress Apparels (Bangladesh) Limited as at 31 March 2018 was USD 726,042 account of various LCs opened by the bank in favour of supplier of raw material, where materials has not yet been received and USD 3,309 on account of unconditional and continuous Bank Guarantees issued in favour of Commissioner , Customs House,Chittagong in relationship with exemption of import/custom duty towards import of capital machineries in AEPZ.

  At 31 March 2018, F.X.Imports Company Limited's bankers, HSBC Bank PLC, have provided a guarantee on behalf of the company to HM Revenue and Customs amounting to USD 210,300. The company's maximum contingent liability under this guarantee as at 31 March 2018 is USD 210,300.

  F.X.Imports Company Limited has extended an Unlimited Multilateral Guarantee on 8 August 2012 to its parent and fellow subsidiaries, Poeticgem Limited and Pacific Logistics Limited. The bank has a fixed charge over the assets of the company which is supported by a debenture dated 28 August 2012.

  Pacific Logistics Limited has also extended an Unlimited Multilateral Guarantee on 28 August 2012 to its parent company Poeticgem Limited and fellow subsidiaries FX Import Company Limited.

  The bank has a fixed and floating charge over the assets of Pacific Logistics Limited as security.

33. **Contingent liabilities (continued)**

- At 31 March 2018, one of the subsidiaries, Norwest Industries Limited and its subsidiaries had contingent liabilities which have not been provided for in the consolidated financial statements and were as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Guarantees given to banks in connection with: | | |
| facilities granted to subsidiaries and fellow subsidiaries | **44,193,332** | 60,230,061 |
| Guarantee given to a third party | **-** | 10,012,860 |
| | **44,193,332** | 70,242,921 |

At 31 March 2018, the banking facilities guaranteed by Norwest Industries Limited to its fellow subsidiaries were utilised to the extent of approximately USD 54,061,687 (2017: USD 59,182,328). During the year ended 31March 2018, none of the guarantee given to a third party was utilised and the guarantee given to a third party was released in full during the year.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the directors exercise judgement in the evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised in the consolidated financial statements.

- At 31 March 2018, Poeticgem International Limited,Simple Approach Limited and Techno Design HK Limited had contingent liabilities not been provided in the financial statements at the end of reporting period:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Irrevocable letters of credit | **18,046,025** | 26,885,151 |

At the end of reporting, there were mutual guarantees between the subsidiaries and its sub-subsidiary.

34. **Commitments**

**Operating lease commitments**

Poeticgem Limited

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Minimum lease payments under operating leases recognised in the consolidated statement of profit or loss and other comprehensive income for the year | **398,234** | 344,958 |

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non- cancellable operating leases, which fall due as follows:

| | **Land and buildings** | | **Others** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **USD** | USD | **USD** | USD |
| Within one year | **355,540** | 344,015 | 80,189 | 88,223 |
| Between two and five years | **593,090** | 530,863 | 24,515 | 87,637 |
| More than five years | **-** | 8,905 | - | - |
| | **950,630** | 883,783 | 104,704 | 175,860 |

Operating lease payments represent rent payable by Poeticgem Limited.

**Capital commitment**

One of the Subsidiaries Poeticgem Limited has capital commitments contracted for at the reporting date but not yet incurred are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Non-current asset investments | **258,400** | 258,400 |

34. **Commitments (continued)**

**Operating lease commitments (continued)**

Norwest Industries Limited

Norwest Industries and its subsidiaries (as lessor)

Norwest Industries Limited leases its investment properties under operating lease arrangements, with the leases negotiated for terms of four years. The terms of the leases generally also require the tenants to pay security deposits. At 31 March 2018, Norwest Industries Limited had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Within one year | **28,118** | 43,071 |

Norwest Industries and its subsidiaries (as lessee)

Norwest Industries Limited leases certain of its staff quarters and office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years. At 31 March 2018, Norwest Industries Limited had total future minimum lease payments under noncancellable operating leases falling due as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Within one year | **580,261** | 724,488 |
| In the second to fifth years,inclusive | **177,046** | 554,172 |
| | **757,307** | 1,278,660 |

F.X.Import Company Limited:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Minimum lease payments under operating lease recognized in the statement of comprehensive income for the year | **54,622** | 61,539 |

34. **Commitments (continued)**

**Operating lease commitments (continued)**

F.X.Import Company Limited (continued)

Land and buildings

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Within one year | **38,275** | 39,338 |
| In two and five years | **72,460** | 26,225 |
| | **99,760** | 65,563 |

Operating lease payments represents rentals payable by the company for a lease arrangement entered
into by Poeticgem Limited on behalf of F.X.Import Company Limited.

PDS Asia Star Corporation

At 31 March 2018, PDS Asia Star Corporation Limited had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Within one year | **150,542** | 133,380 |
| In the second to fifth years inclusive | **28,027** | 105,727 |
| | **153,369** | 239,107 |

Operating lease payments represent rental payments payable by Group for its leased premises. Leases are negotiated for an averaged term two to three years.

PG Group Limited

The Group leases its office premises under an operating lease arrangement. The lease for the premises is negotiated for a term of two years.

34. **Commitments (continued)**

**Operating lease commitments (continued)**

PG Group Limited (continued)

At the end of the reporting period, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Within one year | **97,445** | 59,610 |
| In the second to fifth years inclusive | **66,990** | - |
| | **153,369** | 59,610 |

Poeticgem International Limited

At 31 March 2018, Poeticgem International Limited had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Within one year | **146,597** | 22,144 |
| In the second to fifth years inclusive | **257,815** | - |
| | **404,412** | 22,144 |

Operating lease payments represent rental payments payable by the Company for its leased premises. Leases are negotiated for an averaged term one year.

34. **Commitments (continued)**

**Operating lease commitments (continued)**

Simple Approach Limited

At 31 March 2018, Simple Approach Limited had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Within one year | **-** | 506,833 |
| In the second to fifth years inclusive | **-** | 24,179 |
| | **-** | 531,012 |

Operating lease payments represent rental payments payable by Group for its leased premises. Leases are negotiated for an averaged term two to three years.

35. **Obligations under finance leases**

Simple Approach Limited holds a motor vehicle with an estimated useful life of three years under three years finance lease. The future minimum lease payments are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **USD** | USD |
| Within one year | **3,214** | 12,125 |
| Later than one year but within five years | **-** | 4,221 |
| | **3,214** | 16,346 |
| The obligation is classified as: | | |
| Current liability | **3,214** | 12,125 |
| Non-current liability | **-** | 4,221 |
| | **3,214** | 16,346 |

## 36. Personnel expenses

| | 2018 USD | 2017 USD |
|---|---|---|
| Wages, salaries and benefits | **45,593,254** | 37,211,074 |

## 37. Holding company

The ultimate holding Company is PDS Multinational Fashions Limited, a company incorporated in India with its shares listed on The National Stock Exchange of India Limited and Bombay Stock Exchange.

## Multinational Textile Group Limited and its subsidiaries

**Performance of Subsidiaries**
*for the year ended 31 March 2018*

The performances of the Subsidiaries and Sub-subsidiaries for the year ended 31 March 2018 are as shown below:

| | Norwest Industries Limited USD | Global Textiles Group Limited USD | PDS Asia Star USD | Progress Apparels Bangladesh Limited USD | Poeticgem Limited USD | Techno Design GmbH USD | Zamira Fashions Limited USD |
|---|---|---|---|---|---|---|---|
| Revenue | 441,499,662 | - | 50,947,859 | 4,462,334 | 7,828,057 | 6,266,633 | 37,082,519 |
| Cost of sales | (388,155,181) | - | (46,721,710) | (3,109,237) | (7,101,057) | (5,770,811) | (32,632,572) |
| **Gross profit** | 53,344,481 | - | 4,226,149 | 1,353,097 | 727,000 | 495,822 | 4,449,947 |
| Operating income | 10,382,092 | 5,379,208 | 874,320 | - | 11,954,667 | 740,927 | 887,758 |
| Other income | 1,574,804 | 11,249 | 146,196 | 6,715 | 508,850 | 5,012 | 463 |
| Marketing, selling and distribution expenses | (15,061,416) | - | (290,129) | (182,984) | (2,229,760) | (327,548) | (581,414) |
| Loss from joint venture | (182,764) | - | - | - | - | - | - |
| General and administrative expenses | (37,778,645) | (5,420,510) | (4,224,307) | (5,161,774) | (9,412,058) | (877,731) | (4,312,250) |
| Depreciation and amortisation | (1,040,733) | - | (50,184) | (368,305) | (239,216) | (29,110) | (146,873) |
| **Results from operating activities** | 11,237,820 | (30,053) | 682,044 | (4,353,251) | 1,309,482 | 7,372 | 297,631 |
| Net financing costs | (617,479) | (119,003) | (482,977) | 193,766 | (1,061,987) | 75,119 | 524,683 |
| **Profit/(loss) before income tax** | 10,620,341 | (149,056) | 199,067 | (4,159,485) | 247,495 | 82,491 | 822,314 |
| Income tax expense | (28,437) | - | - | - | - | - | (154,373) |
| **Total profit/(loss) for the year** | 10,591,904 | (149,056) | 199,067 | (4,159,485) | 247,495 | 82,491 | 667,941 |

## Multinational Textile Group Limited and its subsidiaries

**Performance of Subsidiaries (continued)**
*for the year ended 31 March 2018*

The performances of the Subsidiaries and Sub-subsidiaries for the year ended 31 March 2018 are as shown below:

| | FX Import Company Limited USD | Casa Forma Ltd USD | Simple Approach Limited USD | Poetic Knitwear Limited USD | SACB Holdings Limited USD | FX Import Hong Kong Limited USD | Nor Delhi Manufacturing Limited USD |
|---|---|---|---|---|---|---|---|
| Revenue | 1,103,972 | - | 86,038,415 | - | - | 10,877,871 | - |
| Cost of sales | (844,766) | (45,893) | (75,047,952) | - | - | (8,605,094) | - |
| **Gross profit** | 259,206 | (45,893) | 10,990,463 | - | - | 2,272,777 | - |
| Operating income | 935,880 | 52,264 | 1,868,238 | - | - | - | - |
| Other income | | 3,339 | 184,965 | - | - | 103,019 | - |
| Marketing, selling and distribution expenses | (222,405) | (29,224) | (4,283,593) | - | - | (1,250,147) | - |
| General and administrative expenses | (1,024,690) | (86,917) | (7,798,851) | (2,734) | (14,860) | (985,028) | (3,086) |
| Depreciation and amortisation | (6,967) | (122) | (99,587) | - | - | (5,853) | - |
| **Results from operating activities** | (58,976) | (106,552) | 861,635 | (2,734) | (14,860) | 134,768 | (3,086) |
| Net financing income/(costs) | (129,648) | - | (142,569) | - | - | (15,831) | (272 |
| **Profit/(loss) before income tax** | (188,624) | (106,552) | 719,065 | (2,734) | (14,860) | (118,937) | (2,814) |
| Income tax expense | 2,585 | - | (128,402) | - | - | - | - |
| **Total profit/(loss) for the year** | (186,039) | (106,552) | 590,663 | (2,734) | (15,370) | (118,937) | (2,814) |

## Multinational Textile Group Limited and its subsidiaries

**Performance of Subsidiaries (continued)**
*for the year ended 31 March 2018*

The performances of the Subsidiaries and Sub-subsidiaries for the year ended 31 March 2018 are as shown below:

| | DPOD Manufacturing Limited USD | Poeticgem International Limited USD | MultiTech Ventures limited USD | Grupo Sourcing Limited USD | Pacific Logistics Limited USD | PG Group Limited USD | Green Apparel Industries Ltd USD | Poetic Brands Limited USD | Progress Manufacturing Group Limited USD |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 3,048,136 | 62,851,976 | - | 4,029,469 | - | 30,061,480 | 3,801,920 | 3,909,726 | 3,940,646 |
| Cost of sales | (2,914,880) | (51,922,412) | - | (3,563,166) | - | (24,525,214) | (4,053,268) | (4,009,047) | (3,803,433) |
| **Gross profit** | 133,256 | 10,929,564 | - | 466,303 | - | 5,536,266 | (251,348) | (99,321) | 137,213 |
| Operating income | 256,816 | (61,583) | - | 253,248 | - | - | - | 825,818 | (54,064) |
| Other income | - | 52,025 | - | 27,278 | - | 35,174 | 321 | - | - |
| Marketing, selling and distribution expenses | (598,578) | (7,221,000) | | (8,528) | - | (1,698,696) | (89,995) | (243,732) | - |
| Share of loss in joint venture | - | - | - | - | - | | | | |
| General and administrative expenses | 145,639 | (3,874,967) | (14,845) | (552,128) | (9,506) | (2,655,257) | (1,936,735) | (372,178) | (1,154,687) |
| Depreciation and amortisation | (12,847) | (53,760) | - | (19,225) | - | (3,555) | (72,038) | - | - |
| **Results from operating activities** | (75,714) | 229,722 | (14,845) | 166,947 | (9,506) | 1,213,932 | (2,349,794) | 110,587 | (1,071,537) |
| Net financing income/(costs) | (30,819) | (290,216) | - | 56 | - | (16,654) | (167,494) | 66,106 | (135,368) |
| **Profit/(loss) before income tax** | (106,533) | (519,938) | (14,845) | 167,003 | (5,906) | 1,197,278 | (2,516,907) | 176,694 | (1,206,905) |
| Income tax expense | - | - | - | (13,139) | | - | - | - | - |
| **Total profit/(loss) for the year** | (106,533) | (519,938) | (14,845) | 153,865 | (5,906) | 1,197,278 | (2,516,907) | 176,694 | (1,206,905) |

## Multinational Textile Group Limited and its subsidiaries

**Performance of Subsidiaries (continued)**
*for the year ended 31 March 2018*

The performances of the Subsidiaries and Sub-subsidiaries for the year ended 31 March 2018 are as shown below:

| | Multinational OSG Bangladesh USD | Sure Investment Limited USD | Design Arc UK USD | Casa Forma London USD | Blueprint design USD |
|---|---|---|---|---|---|
| Revenue | - | - | - | - | 4,196,013 |
| Cost of sales | - | - | - | - | (3,616,237) |
| **Gross profit** | - | - | - | - | 579,775 |
| Operating income | - | - | 1,312,265 | - | 49,044 |
| Other income | - | 14,289 | - | - | - |
| Marketing, selling and distribution expenses | - | - | (131,089) | - | (55,108) |
| General and administrative expenses | (7,501) | (7,664) | (1,322,367) | (8,656) | (1,470,758) |
| Depreciation and amortisation | - | - | (4,880) | - | (219) |
| **Results from operating activities** | (7,501) | (6,625) | (146,071) | (8,656) | (897,266) |
| Net financing income/(costs) | - | - | (21) | - | 55,528 |
| **Profit/(loss) before income tax** | (7,501) | (6,625) | (146,092) | (8,656) | (841,738) |
| Income tax expense | | - | - | - | - |
| **Total profit/(loss) for the year** | (7,501) | (6,625) | (146,092) | (8,656) | (841,738) |

## Multinational Textile Group Limited and its subsidiaries

**Performance of Subsidiaries**
*for the year ended 31 March 2018*

The performances of the Subsidiaries and Sub-subsidiaries for the year ended 31 March 2017 are as shown below:

| | Norwest Industries Limited USD | Global Textiles Group Limited USD | PDS Asia Star USD | Progress Apparels Bangladesh Limited USD | Poeticgem Limited USD | Techno Design GmbH USD | Zamira Fashions Limited USD |
|---|---|---|---|---|---|---|---|
| Revenue | 414,342,597 | 4,443,262 | 47,109,885 | - | 9,269,437 | 6,100,064 | 39,873,000 |
| Cost of sales | (368,012,624) | - | (43,252,324) | - | (10,543,770) | (5,116,049) | (35,033,720) |
| **Gross profit** | 46,329,973 | 4,443,262 | 3,857,561 | - | (1,274,333) | 984,015 | 4,839,280 |
| Operating income | 9,446,479 | - | 798,413 | - | 11,703,449 | - | 381,755 |
| Other income | 1,824,702 | 32,399 | 122,119 | - | 386,045 | 33,712 | 10,866 |
| Marketing, selling and distribution expenses | (13,061,738) | - | (225,349) | - | (2,346,103) | (114,309) | (621,719) |
| Loss from joint venture | (278,774) | - | - | - | - | - | - |
| General and administrative expenses | (35,822,551) | (4,745,014) | (4,171,634) | (657,982) | (8,575,225) | (616,902) | (3,990,012) |
| Depreciation and amortisation | (1,271,509) | - | (81,923) | - | (145,432) | (6,443) | (119,384) |
| **Results from operating activities** | 7,166,582 | (269,353) | 299,187 | (657,982) | (251,599) | 280,073 | 500,786 |
| Net financing costs | (1,514,717) | (3,178) | 56,764 | - | 462,937 | (34,774) | 878,586 |
| **Profit/(loss) before income tax** | 5,651,865 | (272,531) | 355,951 | (657,982) | 211,338 | 245,299 | 1,379,372 |
| Income tax expense | (345,305) | - | - | - | (22,823) | - | (245,140) |
| **Total profit/(loss) for the year** | 5,306,560 | (272,531) | 355,951 | (657,982) | 188,515 | 245,299 | 1,134,232 |

**Multinational Textile Group Limited and its subsidiaries**

**Performance of Subsidiaries (continued)**
*for the year ended 31 March 2018*

The performances of the Subsidiaries and Sub-subsidiaries for the year ended 31 March 2017 are as shown below:

| | FX Import Company Limited USD | Casa Forma Ltd USD | Simple Approach Limited USD | Poetic Knitwear Limited USD | SACB Holdings Limited USD | FX Import Hong Kong Limited USD | Nor Delhi Manufacturing Limited USD |
|---|---|---|---|---|---|---|---|
| Revenue | 847,182 | 12,710 | 67,944,943 | - | - | 11,167,074 | - |
| Cost of sales | (667,552) | (962,352) | (58,230,694) | - | - | (8,671,188) | - |
| **Gross profit** | 179,630 | (949,642) | 9,714,249 | - | - | 2,495,886 | - |
| Operating income | 1,240,787 | 1,112,995 | 1,441,015 | - | - | 9,301 | - |
| Other income | | 4,609 | 100,725 | - | - | - | - |
| Marketing, selling and distribution expenses | (463,364) | (4,718) | (3,314,597) | - | - | (1,713,387) | - |
| General and administrative expenses | (1,007,445) | (143,505) | (7,090,629) | (2,738) | (15,370) | (948,289) | (5,202) |
| Depreciation and amortisation | (2,345) | (645) | (78,804) | - | - | - | - |
| **Results from operating activities** | (52,737) | 19,094 | 771,959 | (2,738) | (15,370) | (161,402) | (5,202) |
| Net financing income/(costs) | 54,863 | (3,269) | 49,626 | - | - | 5,776 | (1,666) |
| **Profit/(loss) before income tax** | 2,126 | 15,825 | 821,585 | (2,738) | (15,370) | (155,626) | (6,868) |
| Income tax expense | | - | (146,931) | - | - | - | - |
| **Total profit/(loss) for the year** | 2,126 | 15,825 | 674,654 | (2,738) | (15,370) | (155,626) | (6,868) |

## Multinational Textile Group Limited and its subsidiaries

**Performance of Subsidiaries (continued)**
*for the year ended 31 March 2018*

The performances of the Subsidiaries and Sub-subsidiaries for the year ended 31 March 2017 are as shown below:

| | DPOD Manufacturing Limited USD | Poeticgem International Limited USD | MultiTech Ventures limited USD | Grupo Sourcing Limited USD | Pacific Logistics Limited USD | PG Group Limited USD | Green Apparel Industries Ltd USD | Poetic Brands Limited USD | Progress Manufacturing Group Limited USD |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 7,566,558 | 55,274,838 | - | 927,744 | - | 23,243,549 | 603,808 | 695,707 | - |
| Cost of sales | (7,285,383) | (44,908,933) | - | (681,475) | - | (19,377,670) | (477,454) | (711,783) | - |
| **Gross profit** | 281,175 | 10,365,905 | - | 246,269 | - | 3,865,879 | 126,354 | (16,076) | - |
| Operating income | 438,723 | 5,289 | - | 25,327 | - | 28,804 | - | - | - |
| Other income | 252 | 863 | - | 6,693 | 459 | 16,240 | 38 | - | - |
| Marketing, selling and distribution expenses | (45,860) | (7,622,306) | | (32,968) | - | (764,638) | (9,513) | (8,481) | (3,797) |
| Share of loss in joint venture | | | (5,000) | - | - | | | | |
| General and administrative expenses | (956,180) | (2,429,635) | (17,121) | (365,566) | (6,354) | (2,402,947) | (450,236) | (195,376) | (573,478) |
| Depreciation and amortisation | (5,566) | (29,071) | - | (15,577) | - | (3,321) | - | - | - |
| **Results from operating activities** | (287,456) | 291,045 | (22,121) | (135,822) | (5,895) | 740,017 | (333,357) | (219,933) | (577,275) |
| Net financing income/(costs) | (2,492) | 91,840 | - | (1,758) | (10) | | (25,217) | (7,916) | (7,967) |
| **Profit/(loss) before income tax** | (289,948) | 382,885 | (22,121) | (137,580) | (5,905) | 740,017 | (358,574) | (227,849) | (585,242) |
| Income tax expense | - | - | - | (1,003) | | 176,136 | - | - | - |
| **Total profit/(loss) for the year** | (289,948) | 382,885 | (22,121) | (138,583) | (5,905) | 916,153 | (358,574) | (227,849) | (585,242) |

## Multinational Textile Group Limited and its subsidiaries

**Performance of Subsidiaries (continued)**
*for the year ended 31 March 2018*

The performances of the Subsidiaries and Sub-subsidiaries for the year ended 31 March 2017 are as shown below:

| | Multinational OSG Bangladesh | Sure Investment Limited | Design Arc UK | Casa Forma London | Blueprint design |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| Revenue | - | - | - | - | 513,099 |
| Cost of sales | - | - | - | (41,915) | (394,830) |
| **Gross profit** | - | - | - | (41,915) | 118,269 |
| Operating income | - | - | - | 170,983 | - |
| Other income | | - | - | 609,995 | - |
| Marketing, selling and distribution expenses | | - | - | (82,289) | (60,843) |
| General and administrative expenses | (3,642) | (6,626) | (35,959) | (778,999) | (47,679) |
| Depreciation and amortisation | - | - | - | (4,913) | - |
| **Results from operating activities** | (3,642) | (6,626) | (35,959) | (122,225) | 9,747 |
| Net financing income/(costs) | - | - | - | - | 5,136 |
| **Profit/(loss) before income tax** | (3,642) | (6,626) | (35,959) | (122,225) | 14,883 |
| Income tax expense | | - | - | - | (2,603) |
| **Total profit/(loss) for the year** | (3,642) | (6,626) | (35,959) | (122,225) | 12,280 |

**Multinational Textile Group Limited and its subsidiaries**

**Consolidated statement of profit or loss**
*for the year ended 31 March 2018*

| | Appendix | **2018 USD** | 2017 USD |
|---|---|---|---|
| Revenue | 1 | **755,088,908** | 679,392,069 |
| Cost of sales | 2 | **(659,318,729)** | (598,786,462) |
| **Gross profit** | | **95,770,179** | 80,605,607 |
| Operating income | 3 | **8,827,252** | 8,640,272 |
| Other income | | **2,256,897** | 2,115,138 |
| Marketing, selling and distribution expenses | 4 | **(13,691,520)** | (10,563,404) |
| Manufacturing and other expenses | | **(1,046,303)** | - |
| Share of loss of a joint venture | | **(182,764)** | (283,775) |
| General and administrative expenses | 5 | **84,388,852** | (71,031,501) |
| Depreciation and amortisation | | **(2,188,184)** | (1,804,114) |
| **Results from operating activities** | | **5,356,705** | 7,678,223 |
| Finance income | | **1,497,693** | 24,447 |
| Finance costs | | **(2,993,781)** | (1,318,262) |
| **Net finance (costs)/income** | | **(1,496,088)** | (1,293,815) |
| **Profit before taxation** | | **3,860,617** | 6,384,408 |

**Multinational Textile Group Limited and its subsidiaries**

**Consolidated statement of profit or loss**
*for the year ended 31 March 2018*

**Appendix 1**

**Revenue**

| | **2018 USD** | 2017 USD |
|---|---|---|
| Sales | **755,088,908** | 679,392,069 |

**Appendix 2**

**Cost of sales**

| | **2018 USD** | 2017 USD |
|---|---|---|
| Opening stock | **5,232,336** | 7,591,558 |
| Purchases | **617,601,902** | 550,698,083 |
| Production costs/sub-contracting expenses | **21,199,920** | 23,769,575 |
| Other cost of sales | **25,253,352** | 18,167,314 |
| Closing stock | **(10,043,908)** | (1,453,352) |
| Testing charges | **75,126** | 13,284 |
| Effect of exchange difference on re-translation of opening stock | **-** | - |
| | **659,318,729** | 598,786,462 |

## Multinational Textile Group Limited and its subsidiaries

**Consolidated statement of profit or loss**
*for the year ended 31 March 2018*

**Appendix 3**

**Operating income**

| | **2018** **USD** | 2017 USD |
|---|---|---|
| Other operating income | **8,827,252** | 8,640,272 |

**Appendix 4**

**Marketing, selling and distribution expenses**

| | **2018** **USD** | 2017 USD |
|---|---|---|
| Sample expenses | **3,109,781** | 2,494,942 |
| Transportation costs | **3,193,474** | 1,378,502 |
| Agents' commission | **4,568,421** | 3,973,737 |
| Motor, Travel and Subsistence expenses | **995,596** | 821,230 |
| Bad debts | **31,402** | 266,138 |
| Handling charges | **264,021** | 188,313 |
| Entertainment expenses | **438,226** | 285,710 |
| Claim and penalty | **190,428** | 168,442 |
| Advertising costs | **36,732** | 84,882 |
| Testing and service charges | **39,363** | 65,150 |
| Inspection charges | **12,075** | 10,938 |
| Designing expenses | **468,803** | 559,364 |
| Security charges | **243,474** | (83,647) |
| Processing Charges | **9,336** | - |
| Storage charges | **90,388** | (83,408) |
| Discount | **-** | 99,000 |
| | **13,691,520** | 10,563,404 |

## Multinational Textile Group Limited and its subsidiaries

**Consolidated statement of profit or loss**
*for the year ended 31 March 2018*

**Appendix 5**

**General and administrative expenses and manufacturing and other expenses**

| | 2018 USD | 2017 USD |
|---|---|---|
| Wages and salaries | **45,593,254** | 37,211,474 |
| Consulting fees | **12,110,826** | 10,583,055 |
| Travelling expenses | **5,404,330** | 4,429,116 |
| Rent and rates | **3,352,849** | 2,923,658 |
| Bank charges | **2,762,807** | 3,238,787 |
| Courier charges | **2,510,503** | 1,935,425 |
| Telephone, printing and stationery | **1,559,131** | 1,429,213 |
| Legal and professional fees | **647,491** | 663,334 |
| Miscellaneous expenses | **1,394,943** | 1,918,783 |
| Director's quarter expense | **160,073** | 159,679 |
| Management fees | **4,272,531** | 3,133,815 |
| Vehicle expenses | **1,190,613** | 664,805 |
| Insurance expenses | **491,758** | 660,237 |
| Staff welfare and medical insurance | **179,242** | 131,353 |
| Quality control | **36,710** | 3,570 |
| Audit and accounting fees | **494,395** | 451,691 |
| Water and electricity | **460,531** | 320,645 |
| Taxes and duties | **58,250** | 2,425 |
| Repairs and maintenance | **538,114** | 407,419 |
| Computer running costs | **157,355** | 157,238 |
| Office expenses and supplies | **482,638** | 212,005 |
| Motor vehicle leasing | **150,950** | 155,692 |
| Entertainment expenses | **187,353** | 109,166 |
| Loss on disposal of tangible assets | **12** | 28,167 |
| Bad debts written off | **14,290** | 5000 |
| Donations | **226,296** | 77,331 |
| Licence fees | **25,028** | 17,939 |
| Fixed assets /Investment written off | **-** | 479 |
| | **84,388,852** | 71,031,501 |

Report of the Directors and Audited Financial Statements

NORWEST INDUSTRIES LIMITED

31 March 2018

CERTIFIED TRUE COPY

ERNST & YOUNG

EY安永

Building a better working world

NORWEST INDUSTRIES LIMITED

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NORWEST INDUSTRIES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the Company has not changed during the year and was the trading of garments. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 March 2018 and the Group's financial position at that date are set out in the financial statements on pages 6 to 79.

The first interim 2018 dividend of US$0.09 per ordinary share and the second interim 2018 dividend of US$0.1875 per ordinary share were paid on 16 August 2018 and 23 October 2018, respectively.

Directors

The directors of the Company during the year were:

Pallak Seth
Deepak Kumar Seth
Omprakash Makam Suryanarayan Setty

The persons who were directors of the subsidiaries of the Company during the year (not including those directors listed above) were:

| | |
|---|---|
| Ajai Singh | |
| Albert Farre Moll | |
| Amandeep Kumar Bagga | |
| Daven Coopoosamy | (appointed on 1 March 2018) |
| Esra Tasoren | |
| Bijay Kumar | |
| Gwynedd Gee Williams | |
| Iftekhar Ullah Khan | |
| Jayechund Jingree | (resigned on 1 March 2018) |
| Luo Jiehua | |
| Mahesh Seth | (appointed on 6 November 2017) |
| Md. Abu Toab Noyon | |
| Mohammad Morshed Alam | |
| Muhammed Shahed Mahmud | |
| Navin Nagawa | (appointed on 1 March 2018) |
| Payel Seth | |
| Rakesh Chadha | |
| Rajnish Kapoor | |
| Raveesh Khanna | |
| Sandeep Malhotra | |
| Sharmil Shah | (appointed on 1 March 2018) |
| Sheik Mohamad Ally Shameem Kureemun | (appointed on 1 March 2018) |
| Sushil Kumar Jogoo | (resigned on 1 March 2018) |
| Sukhlina Minhas | |

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

At no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company's subsidiaries, holding companies or fellow subsidiaries was a party during the year.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Omprakash Makam Suryanarayan Setty
Chairman

Hong Kong
28 May 2018

Ernst & Young
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1 Tim Mei Avenue
Central, Hong Kong

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**Independent auditor's report**
**To the members of Norwest Industries Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the consolidated financial statements of Norwest Industries Limited (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 79, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the consolidated financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the consolidated financial statements**
The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**Auditor's responsibilities for the audit of the consolidated financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
28 May 2018

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| REVENUE | 4 | 3,447,600,041 | 3,214,029,176 |
| Cost of sales | | ( 3,031,041,556) | ( 2,854,647,772) |
| Gross profit | | 416,558,485 | 359,381,404 |
| Other income and gains | 4 | 122,514,404 | 86,502,800 |
| Selling and distribution expenses | | ( 126,019,473) | ( 105,135,962) |
| Administrative expenses | | ( 302,615,166) | ( 272,032,178) |
| Other operating expenses | | ( 11,228,683) | ( 11,939,320) |
| Finance costs | 6 | ( 14,849,849) | ( 10,770,088) |
| Share of losses of joint ventures | | ( 1,427,175) | ( 2,162,437) |
| PROFIT BEFORE TAX | 5 | 82,932,543 | 43,844,219 |
| Income tax expense | 8 | ( 222,061) | ( 2,678,507) |
| PROFIT FOR THE YEAR | | 82,710,482 | 41,165,712 |
| Attributable to: | | | |
| Owners of the parent | | 61,363,921 | 23,867,377 |
| Non-controlling interests | | 21,346,561 | 17,298,335 |
| | | 82,710,482 | 41,165,712 |

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| PROFIT FOR THE YEAR | | 82,710,482 | 41,165,712 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Other comprehensive loss to be reclassified to profit or loss in subsequent periods: | | | |
| Available-for-sale investments: | | | |
| Changes in fair value of available-for-sale investments, net of tax | | ( 1,028,529) | ( 4,309,959) |
| Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss | 5 | ( 641,917) | - |
| | | ( 1,670,446) | ( 4,309,959) |
| Cash flow hedges: | | | |
| Effective portion of changes in fair value of hedging instruments arising during the year | 23 | ( 2,698,934) | 114,701 |
| Reclassification adjustments for losses included in the consolidated statement of profit or loss | 23 | 565,547 | 3,831,195 |
| Income tax effect | 23 | - | ( 516,534) |
| | | ( 2,133,387) | 3,429,362 |
| Exchange differences on translation of foreign operations | | 7,907,485 | ( 9,232,204) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX | | 4,103,652 | ( 10,112,801) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 86,814,134 | 31,052,911 |
| Attributable to: | | | |
| Owners of the parent | | 64,568,670 | 14,577,209 |
| Non-controlling interests | | 22,245,464 | 16,475,702 |
| | | 86,814,134 | 31,052,911 |

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 11,049,011 | 8,981,686 |
| Investment properties | 11 | 116,479,994 | 113,651,972 |
| Held-to-maturity financial assets | 12 | 28,634,208 | 23,607,645 |
| Interests in joint ventures | 13 | 18,728,263 | 8,784,299 |
| Goodwill | 14 | 583,365 | 583,365 |
| Intangible assets | 15 | 484,321 | 692,716 |
| Available-for-sale investments | 16 | 24,265,742 | 23,429,178 |
| Deposits | 19 | 947,217 | 361,465 |
| Deferred tax assets | 24 | 153,585 | 141,728 |
| Total non-current assets | | 201,325,706 | 180,234,054 |
| CURRENT ASSETS | | | |
| Inventories | 17 | 35,187,930 | 28,961,317 |
| Trade and bills receivables | 18 | 438,274,215 | 448,526,182 |
| Prepayments, deposits and other receivables | 19 | 82,676,037 | 66,501,465 |
| Available-for-sale investments | 16 | 30,099,910 | 6,199,100 |
| Due from fellow subsidiaries | 32(b)(i) | 256,560,002 | 89,987,208 |
| Due from non-controlling shareholders | 32(b)(ii) | 2,247,999 | 899,339 |
| Due from a related company | 32(b)(iv) | 10,965,669 | 7,544,106 |
| Derivative financial instruments | 23 | 749,924 | 1,227,791 |
| Pledged time deposits | 20 | 137,390,668 | 136,272,526 |
| Cash and bank balances | 20 | 63,143,580 | 97,664,883 |
| Total current assets | | 1,057,295,934 | 883,783,917 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | | 308,819,550 | 244,398,006 |
| Other payables and accruals | 21 | 33,693,754 | 26,521,080 |
| Interest-bearing bank borrowings | 22 | 387,361,774 | 338,144,780 |
| Due to the ultimate holding company | 32(b)(iii) | 11,448 | - |
| Due to the immediate holding company | 32(b)(iii) | 16,782,200 | 18,280,244 |
| Due to fellow subsidiaries | 32(b)(i) | 54,231,364 | 48,690,698 |
| Due to a non-controlling shareholder | 32(b)(ii) | - | 2,778 |
| Due to related companies | 32(b)(iv) | 1,810,980 | 7,780 |
| Due to joint ventures | 32(b)(v) | 2,820,156 | - |
| Derivative financial instruments | 23 | 2,067,902 | 412,382 |
| Tax payable | | 26,379,079 | 26,363,132 |
| Total current liabilities | | 833,978,207 | 702,820,880 |
| NET CURRENT ASSETS | | 223,317,727 | 180,963,037 |
| Net assets | | 424,643,433 | 361,197,091 |

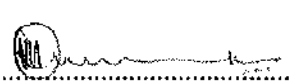
continued/…

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 25 | 31,120,000 | 31,120,000 |
| Reserves | 26 | 377,871,522 | 321,938,652 |
| | | 408,991,522 | 353,058,652 |
| **Non-controlling interests** | | 15,651,911 | 8,138,439 |
| Total equity | | 424,643,433 | 361,197,091 |



Omprakash Makam Suryanarayan Setty
Director

Deepak Kumar Seth
Director

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital HK$ | Available-for-sale investment revaluation reserve HK$ | Hedging reserve HK$ | Capital reserve HK$ | Retained profits HK$ | Exchange reserve HK$ | Total HK$ | Non-controlling interests HK$ | Total equity HK$ |
| At 1 April 2017 | | 31,120,000 | ( 4,309,959) | 815,140 | ( 12,645,530) | 348,573,979 | ( 10,494,978) | 353,058,652 | 8,138,439 | 361,197,091 |
| Profit for the year | | - | - | - | - | 61,363,921 | - | 61,363,921 | 21,346,561 | 82,710,482 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | |
| Changes in fair values of available-for-sale investments, net of tax | | - | ( 1,670,446) | - | - | - | - | ( 1,670,446) | - | ( 1,670,446) |
| Cash flow hedges, net of tax | | - | - | ( 2,133,387) | - | - | - | ( 2,133,387) | - | ( 2,133,387) |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | 7,008,582 | 7,008,582 | 898,903 | 7,907,485 |
| Total comprehensive income/(loss) for the year | | - | ( 1,670,446) | ( 2,133,387) | - | 61,363,921 | 7,008,582 | 64,568,670 | 22,245,464 | 86,814,134 |
| First 2018 interim dividend paid | 9 | - | - | - | - | ( 2,800,800) | - | ( 2,800,800) | - | ( 2,800,800) |
| Second 2018 interim dividend paid | 9 | - | - | - | - | ( 5,835,000) | - | ( 5,835,000) | - | ( 5,835,000) |
| Dividend paid to non-controlling shareholders | | - | - | - | - | - | - | - | ( 14,731,992) | ( 14,731,992) |
| At 31 March 2018 | | 31,120,000 | ( 5,980,405)* | ( 1,318,247)* | ( 12,645,530)* | 401,302,100* | ( 3,486,396)* | 408,991,522 | 15,651,911 | 424,643,433 |

continued/…

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 March 2018

| | Note | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital HK$ | Available-for-sale investment revaluation reserve HK$ | Hedging reserve HK$ | Capital reserve HK$ | Retained profits HK$ | Exchange reserve HK$ | Total HK$ | Non-controlling interests HK$ | Total equity HK$ |
| At 1 April 2016 | | 31,120,000 | - | ( 2,614,222) | ( 12,659,395) | 353,492,602 | ( 2,085,407) | 367,253,578 | 3,848,601 | 371,102,179 |
| Profit for the year | | - | - | - | - | 23,867,377 | - | 23,867,377 | 17,298,335 | 41,165,712 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | |
| Changes in fair values of available-for-sale investments, net of tax | | - | ( 4,309,959) | - | - | - | - | ( 4,309,959) | - | ( 4,309,959) |
| Cash flow hedges, net of tax | | - | - | 3,429,362 | - | - | - | 3,429,362 | - | 3,429,362 |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | ( 8,409,571) | ( 8,409,571) | ( 822,633) | ( 9,232,204) |
| Total comprehensive income/(loss) for the year | | - | ( 4,309,959) | 3,429,362 | - | 23,867,377 | ( 8,409,571) | 14,577,209 | 16,475,702 | 31,052,911 |
| Disposal of non-controlling interests | | - | - | - | 13,865 | - | - | 13,865 | ( 10,721) | 3,144 |
| Final 2016 dividend paid | 9 | - | - | - | - | ( 9,336,000) | - | ( 9,336,000) | - | ( 9,336,000) |
| Interim 2017 dividend paid | 9 | - | - | | - | ( 19,450,000) | - | ( 19,450,000) | - | ( 19,450,000) |
| Dividend paid to non-controlling shareholders | | - | - | - | - | - | - | - | ( 12,186,813) | ( 12,186,813) |
| Capital contribution by non-controlling shareholders | | - | - | - | - | - | - | - | 11,670 | 11,670 |
| At 31 March 2017 | | 31,120,000 | ( 4,309,959)* | 815,140* | ( 12,645,530)* | 348,573,979* | ( 10,494,978)* | 353,058,652 | 8,138,439 | 361,197,091 |

* These reserve accounts comprise the consolidated reserves of HK$377,871,522 (2017: HK$321,938,652) in the consolidated statement of financial position.

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 82,932,543 | 43,844,219 |
| Adjustments for: | | | |
| Finance costs | 6 | 14,849,849 | 10,770,088 |
| Interest income | 4 | ( 2,269,166) | ( 2,048,288) |
| Depreciation for property, plant and equipment | 5 | 5,754,643 | 6,624,164 |
| Depreciation for investment properties | 5 | 2,958,885 | 3,074,699 |
| Amortisation of intangible assets | 5 | 220,416 | 164,144 |
| Loss/(gain) on disposal of items of property, plant and equipment | 5 | ( 421,739) | 1,801 |
| Loss on disposal of held-to-maturity financial assets | 5 | 155,257 | - |
| Impairment/(reversal of impairment) of trade receivables | 5 | 39,671 | ( 344,802) |
| Write-down of inventories to net realisable value | 5 | 175,797 | - |
| Fair value losses/(gains), net: | | | |
| Available-for-sale investments (transfer from equity on disposal) | 5 | ( 641,917) | - |
| Cash flow hedges (transfer from equity) | 5 | 565,547 | 3,831,195 |
| Share of losses of joint ventures | | 1,427,175 | 2,162,437 |
| | | 105,746,961 | 68,079,657 |
| Decrease/(increase) in inventories | | ( 6,402,410) | 12,864,163 |
| Decrease in trade and bills receivables | | 15,142,442 | 7,673,312 |
| Decrease/(increase) in prepayments, deposits and other receivables | | ( 16,225,846) | 13,280,514 |
| Increase in amounts due from fellow subsidiaries | | ( 164,546,985) | ( 24,437,339) |
| Decrease/(increase) in amounts due from non-controlling shareholders | | ( 1,294,339) | 227,817 |
| Decrease in an amount due from the immediate holding company | | - | 1,775,328 |
| Decrease/(increase) in an amount due from a related company | | ( 3,421,563) | 5,220,077 |
| Increase in trade and bills payables | | 57,025,415 | 13,107,896 |
| Increase in other payables and accruals | | 7,091,047 | 171,463 |
| Increase in an amount due to the ultimate holding company | | 11,448 | - |
| Increase/(decrease) in an amount due to the immediate holding company | | ( 2,346,484) | 6,612,662 |
| Increase in amounts due to fellow subsidiaries | | 4,916,511 | 28,114,536 |
| Increase in amounts due to related companies | | 1,803,200 | 7,780 |
| Increase in amounts due to joint ventures | | 2,431,156 | - |
| Increase/(decrease) in an amount due to a non-controlling shareholder | | ( 2,778) | 2,778 |
| Decrease in derivative financial instruments | | ( 565,547) | ( 3,831,195) |
| Cash generated from/(used in) operations | | ( 637,772) | 128,869,449 |

continued/…

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2018

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES (continued) | | |
| Cash generated from/(used in) operations | ( 637,772) | 128,869,449 |
| Hong Kong profits tax refunded | - | 1,077,784 |
| Overseas taxes paid | ( 293,794) | - |
| Interest paid | ( 14,849,849) | ( 10,770,088) |
| Net cash flows from/(used in) operating activities | ( 15,781,415) | 119,177,145 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of items of property, plant and equipment | ( 7,695,374) | ( 3,604,312) |
| Additions to an investment property | ( 172,037) | - |
| Purchases of intangible assets | ( 12,021) | ( 573,845) |
| Purchases of held-to-maturity financial assets | ( 25,813,244) | ( 3,501,088) |
| Purchases of available-for-sale investments | ( 35,776,072) | ( 34,158,258) |
| Proceeds from disposal of held-to-maturity financial assets | 21,386,609 | 2,593,333 |
| Proceeds from disposal of available-for-sale investments | 10,189,363 | - |
| Proceeds from disposal of items of property, plant and equipment | 485,179 | 59,064 |
| Advance to a joint venture | ( 10,982,139) | ( 5,080,387) |
| Interest received | 2,269,166 | 2,048,288 |
| Decrease in time deposits with original maturity if more than three months when acquired, pledged as security for banking facilities | 7,515,409 | 32,803,067 |
| Net cash flows used in investing activities | ( 38,605,161) | ( 9,414,138) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | ( 8,635,800) | ( 28,786,000) |
| Dividend paid to non-controlling shareholders | ( 14,731,992) | ( 12,186,813) |
| Proceeds from bank loans, net | 40,426,604 | 30,692,413 |
| Capital contribution from non-controlling shareholders | - | 11,670 |
| Disposal of a non-controlling interest | - | 3,144 |
| Net cash flows from/(used in) financing activities | 17,058,812 | ( 10,265,586) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | ( 37,327,764) | 99,497,421 |
| Cash and cash equivalents at beginning of year | 187,447,632 | 91,183,625 |
| Effect of foreign exchange rate changes, net | 3,431,260 | ( 3,233,414) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 153,551,128 | 187,447,632 |

continued/…

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents as stated in the consolidated statement of financial position | 20 | 63,143,580 | 97,664,883 |
| Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities | 20 | 98,481,220 | 89,847,669 |
| Bank overdrafts | 22 | ( 8,073,672) | ( 64,920) |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | 153,551,128 | 187,447,632 |

## 1. CORPORATE AND GROUP INFORMATION

Norwest Industries Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the year, the Group was principally involved in the trading of garments.

The Company is a subsidiary of Multinational Textile Group Limited, a company incorporated in Mauritius. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Information about subsidiaries
Particulars of the Company's principal subsidiaries as at 31 March 2018 are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company 2018 | 2017 | Principal activities |
|---|---|---|---|---|---|
| Direct subsidiaries | | | | | |
| Grand Pearl Trading Company Limited*# | People's Republic of China ("PRC")/ Mainland China | United States dollar ("US$") 150,000 | 100% | 100% | Provision of sourcing services |
| Design Arc Europe Limited ("Design Arc Europe") | Hong Kong | US$100,000 | 70% | 70% | Trading of garment products |
| Nor India Manufacturing Company Limited | Hong Kong | US$10,000 | 100% | 100% | Trading of garment products |
| Nor Lanka Manufacturing Limited | Hong Kong | HK$10,000 | 100% | 100% | Trading of garment products |
| Rising Star Asia Hongkong Co., Limited (formerly known as Techno Manufacturing Company Limited) | Hong Kong | US$10,000 | 100% | 100% | Trading of garment products |

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company 2018 | 2017 | Principal activities |
|---|---|---|---|---|---|
| Direct subsidiaries (continued) | | | | | |
| Spring Near East Manufacturing Company Limited ("Spring Near East") | Hong Kong | US$200,000 | 65% | 65% | Trading of garment products |
| 360 Notch Limited (formerly known as PoeticGem Australia Limited) | Hong Kong | US$100,000 | 100% | 100% | Trading of garment products |
| Clover Collections Limited (formerly known as DS Manufacturing Limited) | Hong Kong | US$200,000 | 100% | 100% | Provision of design services |
| Norwest USA., Inc.* | The United States | US$50,000 | 100% | 100% | Provision of sourcing services |
| Design Arc Asia Limited ("Design Arc Asia") | Hong Kong | US$100,000 | 85% | 85% | Provision of sourcing services |
| Kleider Sourcing Hongkong Limited ("Kleider HK") | Hong Kong | US$10,000 | 51% | 51% | Provision of design, sourcing, and trading of garment products |
| Razamtazz Limited* | Mauritius | British Pound Sterling ("GBP") 8,500,000 | 100% | 100% | Investments in properties |

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company 2018 | 2017 | Principal activities |
|---|---|---|---|---|---|
| Direct subsidiaries (continued) | | | | | |
| Krayons Sourcing Limited ("Krayons") | Hong Kong | US$10,000 | 80% | 80% | Trading of garment products |
| JJ Star Industrial Limited ("JJ Star") | Hong Kong | US$50,000 | 57.5% | 57.5% | Trading of garment products |
| Twins Asia Limited ("Twins Asia") | Hong Kong | US$100,000 | 85% | 85% | Trading of garment products |
| Fareast Vogue Limited | Hong Kong | US$10,000 | 60% | 60% | Trading of garment products |
| PDS Far-east Limited | Hong Kong | US$1,000 | 100% | 100% | Trading of garment products |
| Kindred Brands Limited | Hong Kong | US$1,000 | 60% | 60% | Inactive |
| Styleberry Limited | Hong Kong | US$10,000 | 85% | 85% | Trading of garment products |
| PDS Global Invetments Limited* | The British Virgin Islands | US$50,000 | 100% | 100% | Inactive |
| PDS Far East USA Inc.* | The United States | US$50,000 | 100% | - | Inactive |
| Fabric & Trims Limited | Hong Kong | US$10,000 | 100% | - | Inactive |
| Smart Notch Industrial Limited | Hong Kong | US$10,000 | 100% | - | Inactive |

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company 2018 | 2017 | Principal activities |
|---|---|---|---|---|---|
| Indirect subsidiaries | | | | | |
| Nor France SAS* | France | Euro ("EUR")10,000 | 85% | 85% | Trading of garment products |
| Nor Lanka Colombo Manufacturing Company Limited | Sri Lanka | Sri Lankan Rupee ("LKR") 64,427,000 | 100% | 100% | Trading of garment products |
| Nor Europe Manufacturing S.L.* | Spain | EUR3,000 | 70% | 70% | Provision of sourcing services |
| Nor Lanka Progress (Private) Limited* | Sri Lanka | US$1 | 100% | 100% | Inactive |
| Kleider Sourcing Limited* ("Kleider BD") | Bangladesh | Bangladeshi Taka ("BDT") 1,000,000 | 51% | 51% | Provision of sourcing services |

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst &Young global network.

# The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of its subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the respective dates that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICLIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[5] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption
5 Apply to plan amendments, curtailments or settlements that occur on or after 1 January 2019

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

In September 2014, the HKICPA issued the final version of HKFRS 9, which reflects all phases of the financial instruments project and replaces HKAS 39 and all previous versions of HKFRS 9. Under HKFRS 9, a debt instrument is measured at amortised cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. In addition, the standard requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, The Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its deposits, other receivables and amounts due from fellow subsidiaries, non-controlling shareholders and a related company within the next twelve months.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the Group's overall financial performance and financial position upon initial application. Moreover, the Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 was issued in July 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and reduce the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. The Group expects that the transitional adjustment to be made on 1 April 2018 upon initial adoption of HKFRS 15 will not be material.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16 was issued in May 2016 and replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees that they can elect as practical expedients – leases of low-value assets and short-term leases (i.e., where the lease term is 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40 *Investment Property*. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. HKFRS 16 also requires lessees to make more extensive disclosures than under HKAS 17. The Group expects to adopt HKFRS 16 on 1 April 2019.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)
If an investment in an associate becomes an investments in joint ventures or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement
The Group measures its derivative financial instruments and available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets
Where an indication of impairment exists or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties
A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
    (i) has control or joint control over the Group;
    (ii) has significant influence over the Group; or
    (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Group are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Group are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives/principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold improvements | Over the shorter of the lease terms and 33⅓% |
| Furniture and fixtures | 25% |
| Motor vehicles | 33⅓% |
| Office equipment | 33⅓% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties
Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs and any directly attributable expenditure, and subsequently at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property, which is the shorter of 50 years and the term of the lease.

Any gain or loss on the retirement or disposal of investment properties recognised in the statement of profit or loss in the year the investment properties are derecognised is the difference between the net sales proceeds and the carrying amount of the investment properties.

Intangible assets (other than goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Investments and other financial assets
*Initial recognition and measurement*
Financial assets of the Group are classified, at initial recognition, as loans and receivables, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction cost that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
*Subsequent measurement* (continued)

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

*Held-to-maturity financial assets*

Bonds are non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
*Subsequent measurement* (continued)

*Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and securities, and investments in life insurance policies. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets. If management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

*Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss - is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
*Available-for-sale financial investments* (continued)

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities
*Initial recognition and measurement*

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)
*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting
*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)
*Initial recognition and subsequent measurement* (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship with which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument for cash flow hedges is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

*Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the actual basis and comprises invoiced value of purchases, freight and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Dividends
Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) handling fee income, when the services are rendered;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest method.

Employee benefits

*Retirement benefit costs*

The Group operates a mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's overseas subsidiaries/branches are required to participate in central pension schemes operated by the respective local governments. These subsidiaries/branches are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Foreign currencies

These financial statements are presented in HK$, which is the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of the subsidiaries are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and are accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the period are translated into HK$ at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Classification of financial instruments*
Management has made judgements on the classification of financial assets and financial liabilities in the process of applying the Group's accounting policies, which have significant effect on the amounts recognised in the financial statements. The Group determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging whether they meet the definition of financial assets and financial liabilities set out in HKAS 39.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgement (continued)
*Classification of financial instruments* (continued)
HKAS 32 *Financial Instruments: Presentation* and HKAS 39 require that the Group carries certain of its financial assets at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilises different valuation methodologies. Any such changes in the fair values of these financial assets would affect directly the Group's financial position and equity.

*Classification between investment properties and owner-occupied properties*
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Impairment of property, plant and equipment*
Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

*Impairment of trade and bills receivables*
The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade and bills receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

*Impairment of inventories*

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and the provision charge/write-back of provision for obsolete and slow-moving inventory items in the period in which estimate has been changed.

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2018 was HK$583,365 (2017: HK$583,365). Further details are given in note 14.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest income | 2,269,116 | 2,048,288 |
| Handling fee income | 39,848,808 | 40,845,272 |
| Rental income | 5,184,895 | 4,291,084 |
| Foreign exchange differences, net | 2,961,773 | - |
| Sales of trim and trimmings | 35,251,364 | 24,739,017 |
| Gain on disposal of items of properties, plant and equipment | 421,739 | - |
| Others | 36,576,709 | 14,579,139 |
| | 122,514,404 | 86,502,800 |

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Auditor's remuneration | 1,267,727 | 1,124,437 |
| Depreciation for property, plant and equipment | 5,754,643 | 6,624,164 |
| Depreciation for investment properties | 2,958,885 | 3,074,699 |
| Amortisation for intangible assets* | 220,416 | 164,144 |
| Employee benefit expense (excluding directors' remuneration (note 7)): | | |
| Salaries and allowances | 137,508,540 | 128,113,394 |
| Pension scheme contributions (defined contribution scheme) | 12,012,684 | 9,797,780 |
| | 149,521,224 | 137,911,174 |
| Minimum lease payments under operating leases | 9,759,803 | 9,780,593 |
| Loss/(gain) on disposal of items of property, plant and equipment, net | ( 421,739) | 1,801 |
| Impairment/(reversal of impairment) of trade receivables | 39,671 | ( 344,802) |
| Fair value losses/(gains), net: | | |
| Available-for-sale investments (transfer from equity on disposal) | ( 641,917) | - |
| Cash flow hedges (transfer from equity) | 565,547 | 3,831,195 |
| Loss on disposal of held-to-maturity financial assets | 155,257 | - |
| Foreign exchange differences, net | ( 5,208,690) | 1,860,699 |
| Write-down of inventories to net realisable value | 175,797 | - |

## 6. FINANCE COSTS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest on bank loans, overdrafts and other loans | 14,849,849 | 10,770,088 |

## 7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Directors' fees | 1,945,000 | 1,945,000 |

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company has available tax losses brought forward from prior years to offset the assessable profits generated during the year.

For the year ended 31 March 2017, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Current - Hong Kong | | |
| Charge for the year | - | 162,348 |
| Overprovision in prior years | ( 46,475) | ( 62,865) |
| Current - Elsewhere | | |
| Charge for the year | 1,456,283 | 1,435,220 |
| Overprovision in prior years | ( 1,175,890) | ( 1,324,051) |
| Deferred (note 24) | ( 11,857) | 2,467,855 |
| Total tax charge for the year | 222,061 | 2,678,507 |

8. INCOME TAX (continued)

A reconciliation of the tax charge/(credit) at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) at the Group's effective tax rate is as follows:

**2018**

| | Hong Kong HK$ | Others HK$ | Total HK$ |
|---|---|---|---|
| Profit/(loss) before tax | 90,989,583 | ( 8,057,040) | 82,932,543 |
| Tax at the applicable tax rate | 15,013,281 | ( 1,479,607) | 13,533,674 |
| Adjustments in respect of current tax of previous periods | ( 46,475) | ( 1,175,890) | ( 1,222,365) |
| Income not subject to tax | ( 15,012,841) | ( 1,837,337) | ( 16,850,178) |
| Expenses not deductible for tax | 1,742,473 | 3,642,726 | 5,385,199 |
| Tax on deemed profit arising from operations outside Hong Kong | - | 1,162,489 | 1,162,489 |
| Tax losses utilised from previous periods | ( 1,638,871) | - | ( 1,638,871) |
| Others | ( 104,042) | ( 43,845) | ( 147,887) |
| Tax at the effective rate | ( 46,475) | 268,536 | 222,061 |

**2017**

| | Hong Kong HK$ | Others HK$ | Total HK$ |
|---|---|---|---|
| Profit/(loss) before tax | 47,559,889 | ( 3,715,670) | 43,844,219 |
| Tax at the applicable tax rate | 7,847,381 | ( 280,077) | 7,567,304 |
| Adjustments in respect of current tax of previous periods | ( 62,865) | ( 1,324,051) | ( 1,386,916) |
| Income not subject to tax | ( 11,831,715) | ( 437,461) | ( 12,269,176) |
| Expenses not deductible for tax | 3,324,567 | 697,965 | 4,022,532 |
| Tax on deemed profit arising from operations outside Hong Kong | - | 954,361 | 954,361 |
| Tax losses not recognised | 1,877,006 | - | 1,877,006 |
| Others | 302,237 | 1,611,159 | 1,913,396 |
| Tax at the effective rate | 1,456,611 | 1,221,896 | 2,678,507 |

## 9. DIVIDENDS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Final - Nil (2017: US$0.3) per ordinary share | - | 9,336,000 |
| First interim - US$0.09 (2017: US$0.625) per ordinary share | 2,800,800 | 19,450,000 |
| Second interim - US$0.1875 (2017: Nil) per ordinary share | 5,835,000 | - |
| | 8,635,800 | 28,786,000 |

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements<br>HK$ | Furniture and fixtures<br>HK$ | Motor vehicles<br>HK$ | Office equipment<br>HK$ | Total<br>HK$ |
|---|---|---|---|---|---|
| **31 March 2018** | | | | | |
| At 31 March 2017 and 1 April 2017: | | | | | |
| Cost | 6,421,055 | 13,537,214 | 5,721,653 | 30,651,619 | 56,331,541 |
| Accumulated depreciation | ( 5,725,062) | ( 11,060,185) | ( 4,475,165) | ( 26,089,443) | ( 47,349,855) |
| Net carrying amount | 695,993 | 2,477,029 | 1,246,488 | 4,562,176 | 8,981,686 |
| At 1 April 2017, net of accumulated depreciation | 695,993 | 2,477,029 | 1,246,488 | 4,562,176 | 8,981,686 |
| Additions | 169,079 | 2,168,288 | 115,424 | 5,242,583 | 7,695,374 |
| Disposals | - | - | - | ( 63,440) | ( 63,440) |
| Depreciation provided during the year | ( 383,381) | ( 1,289,490) | ( 759,456) | ( 3,322,316) | ( 5,754,643) |
| Exchange realignment | 22,887 | 914 | 9,944 | 156,289 | 190,034 |
| At 31 March 2018, net of accumulated depreciation | 504,578 | 3,356,741 | 612,400 | 6,575,292 | 11,049,011 |
| At 31 March 2018: | | | | | |
| Cost | 6,467,281 | 15,902,515 | 4,986,792 | 36,363,239 | 63,719,827 |
| Accumulated depreciation | ( 5,962,703) | ( 12,545,774) | ( 4,374,392) | ( 29,787,947) | (52,670,816) |
| Net carrying amount | 504,578 | 3,356,741 | 612,400 | 6,575,292 | 11,049,011 |

10. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Leasehold improvements HK$ | Furniture and fixtures HK$ | Motor vehicles HK$ | Office equipment HK$ | Total HK$ |
|---|---|---|---|---|---|
| **31 March 2017** | | | | | |
| At 1 April 2016: | | | | | |
| Cost | 7,845,811 | 15,762,743 | 5,259,070 | 34,726,390 | 63,594,014 |
| Accumulated depreciation | ( 6,605,328) | ( 11,924,903) | ( 3,863,101) | ( 28,895,329) | ( 51,288,661) |
| Net carrying amount | 1,240,483 | 3,837,840 | 1,395,969 | 5,831,061 | 12,305,353 |
| At 1 April 2016, net of accumulated depreciation | 1,240,483 | 3,837,840 | 1,395,969 | 5,831,061 | 12,305,353 |
| Additions | - | 502,113 | 656,033 | 2,446,166 | 3,604,312 |
| Disposals | ( 5,798) | ( 9,514) | - | ( 45,553) | ( 60,865) |
| Depreciation provided during the year | ( 468,917) | ( 1,816,787) | ( 751,870) | ( 3,586,590) | ( 6,624,164) |
| Exchange realignment | ( 69,775) | ( 36,623) | ( 53,644) | ( 82,908) | ( 242,950) |
| At 31 March 2017, net of accumulated depreciation | 695,993 | 2,477,029 | 1,246,488 | 4,562,176 | 8,981,686 |
| At 31 March 2017: | | | | | |
| Cost | 6,421,055 | 13,537,214 | 5,721,653 | 30,651,619 | 56,331,541 |
| Accumulated depreciation | ( 5,725,062) | ( 11,060,185) | ( 4,475,165) | ( 26,089,443) | ( 47,349,855) |
| Net carrying amount | 695,993 | 2,477,029 | 1,246,488 | 4,562,176 | 8,981,686 |

## 11. INVESTMENT PROPERTIES

| | HK$ |
|---|---|
| At 1 April 2016: | |
| Cost | 132,911,863 |
| Accumulated depreciation | ( 9,106,366) |
| Net carrying amount | 123,805,497 |
| At 1 April 2016, net of accumulated depreciation | 123,805,497 |
| Depreciation provided during the year | ( 3,074,699) |
| Exchange realignment | ( 7,078,826) |
| At 31 March 2017, net of accumulated depreciation | 113,651,972 |
| At 31 March 2017: | |
| Cost | 125,530,477 |
| Accumulated depreciation | ( 11,878,505) |
| Net carrying amount | 113,651,972 |
| At 31 March 2017 and 1 April 2017, net of accumulated depreciation | 113,651,972 |
| Additions | 172,037 |
| Depreciation provided during the year | ( 2,958,885) |
| Exchange realignment | 5,614,870 |
| At 31 March 2018, net of accumulated depreciation | 116,479,994 |
| At 31 March 2018: | |
| Cost | 131,719,435 |
| Accumulated depreciation | ( 15,239,441) |
| Net carrying amount | 116,479,994 |

The Group's investment properties include a residential property in the United Kingdom and two industrial properties in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., residential and industrial, based on the nature, characteristics, risks of each property. The investment properties are measured initially at cost less accumulated depreciation and provision for any impairment in value.

11. INVESTMENT PROPERTIES (continued)

The Group's industrial investment properties were revalued on 31 March 2018 based on a valuation performed by an independent professionally qualified valuer, at HK$116,000,000 (2017: HK$106,000,000). The Group's residential investment property was revalued on 31 March 2018 based on a valuation performed by an independent professionally qualified valuer, at HK$83,310,272. As at 31 March 2017, the fair value of a residential investment property of HK$82,993,150 was determined by the Company's directors and no valuation has been performed by any independent professional qualified valuer. Each year, the directors of the Company decide which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The investment properties are leased under operating leases, further summary details of which are included in note 31(a) to the financial statements.

At 31 March 2018, all of the Group's investment properties were pledged to secure the general banking facilities granted to the Group (notes 22).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| | Fair value measurement as at 31 March 2018 using | | | |
|---|---|---|---|---|
| Recurring fair value measurement for: | Quoted prices in active markets (Level 1) HK$ | Significant observable inputs (Level 2) HK$ | Significant unobservable inputs (Level 3) HK$ | Total HK$ |
| Residential property | - | 87,310,272 | - | 87,310,272 |
| Industrial properties | - | 116,000,000 | - | 116,000,000 |
| | - | 203,310,272 | - | 203,310,272 |

| | Fair value measurement as at 31 March 2017 using | | | |
|---|---|---|---|---|
| Recurring fair value measurement for: | Quoted prices in active markets (Level 1) HK$ | Significant observable inputs (Level 2) HK$ | Significant unobservable inputs (Level 3) HK$ | Total HK$ |
| Residential property | - | 82,993,150 | - | 82,993,150 |
| Industrial properties | - | 106,000,000 | - | 106,000,000 |
| | - | 188,993,150 | - | 188,993,150 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

## 12. HELD-TO-MATURITY FINANCIAL ASSETS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Listed debentures | 28,634,208 | 23,607,645 |

The movement in held-to-maturity financial assets is summarised as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| At the beginning of year | 23,607,645 | 25,141,691 |
| Additions | 25,813,244 | 3,501,088 |
| Disposal | ( 21,541,866) | ( 2,593,333) |
| Exchange realignment | 755,185 | ( 2,441,801) |
| At the end of year | 28,634,208 | 23,607,645 |

Held-to-maturity financial assets are denominated in US$ and GBP.

## 13. INTEREST IN JOINT VENTURES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Share of net liabilities | ( 7,135,516) | ( 5,708,341) |
| Amount due from a joint venture | 25,863,779 | 14,492,640 |
| | 18,728,263 | 8,784,299 |

The amount due from a joint venture is unsecured, interest-free and repayable on demand. In the opinion of the directors, the balance is considered as part of the Group's net investment in the joint venture.

Particulars of the Group's joint ventures are as follows:

| Name | Registered share capital | Place of registration and business | Percentage of Ownership interest | Percentage of Voting power | Percentage of Profit sharing | Principal activities |
|---|---|---|---|---|---|---|
| Sourcing Solutions Limited | US$10,000 | Hong Kong | 50 | 50 | 50 | Trading of garments products |
| Sourcing East West Limited | US$100,000 | Hong Kong | 50 | 50 | 50 | Inactive |

## 14. GOODWILL

| | HK$ |
|---|---|
| At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018 | |
| Cost | 1,442,538 |
| Accumulated impairment | ( 859,173) |
| Net carrying amount | 583,365 |

Impairment testing of goodwill

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial forecast covering a five-year period approved by management. The discount rate applied to the cash flow projections is 14% (2017: 13%) and cash flows beyond the five-year period were extrapolated using a growth rate of 6% (2017: 6%), which was the same as the long term average growth rate of the garment products industry.

Assumptions were used in the value-in-use calculation of the garment products and property investment cash-generating units for 31 March 2018 and 31 March 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted revenue* - The basis used to determine the value assigned to the budgeted revenue is the average revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

*Budgeted gross margins* - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates - The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of garment products and discount rates are consistent with external information sources.

## 15. INTANGIBLE ASSETS

| | License |
|---|---|
| **31 March 2017** | |
| At 1 April 2016: | |
| Cost | 435,081 |
| Accumulated amortisation | ( 152,066) |
| Net carrying amount | 283,015 |
| Cost at 1 April 2016, net of accumulated amortisation | 283,015 |
| Additions | 573,845 |
| Amortisation provided during the year | ( 164,144) |
| At 31 March 2017 | 692,716 |
| At 31 March 2017: | |
| Cost | 1,008,926 |
| Accumulated amortisation | ( 316,210) |
| Net carrying amount | 692,716 |
| **31 March 2018** | |
| At 31 March 2017 and 1 April 2017: | |
| Cost | 1,008,926 |
| Accumulated amortisation | ( 316,210) |
| Net carrying amount | 692,716 |
| Cost at 1 April 2017, net of accumulated amortisation | 692,716 |
| Additions | 12,021 |
| Amortisation provided during the year | ( 220,416) |
| At 31 March 2018 | 484,321 |
| At 31 March 2018: | |
| Cost | 1,020,946 |
| Accumulated amortisation | ( 536,625) |
| Net carrying amount | 484,321 |

## 16. AVAILABLE-FOR-SALE INVESTMENTS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Investments in life insurance policies, at fair value | 24,265,742 | 23,401,814 |
| Listed equity investments, at fair value | 30,099,910 | 6,226,464 |
| | 54,365,652 | 29,628,278 |
| Less: Portion classified as non-current assets | ( 24,265,742) | ( 23,429,178) |
| | 30,099,910 | 6,199,100 |

The Group entered into three life insurance policies with an insurance company to insure an executive director. Under these policies, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for these policies and may surrender any time by filing a written request and receive cash based on the surrender value of the policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors, the surrender values of the policies provided by the insurance company are the best approximation of their fair values, which are categorised within Level 3 of the fair value hierarchy.

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$1,670,446 (2017: HK$4,309,959), of which HK$641,917 (2017: Nil) was reclassified from other comprehensive income to the statement of profit or loss for the year.

At 31 March 2018, the above investments consisted of investments in life insurance policies and listed equity investments which had been designated as available-for-sale investments and had no fixed maturity date or coupon rate.

The fair values of the listed equity investments were based on quoted market prices.

## 17. INVENTORIES

The Group's inventories represented fabrics sourced for supplies to manufacturers for their production of garments for the Group.

## 18. TRADE AND BILLS RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Trade receivables | 396,212,491 | 421,365,018 |
| Bills receivable | 42,101,395 | 27,161,164 |
| Less: Impairment | ( 39,671) | - |
| | 438,274,215 | 448,526,182 |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are non-interest-bearing and are on terms of up to 120 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The movements in provision for impairment of trade receivables are as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| At beginning of year | - | 344,802 |
| Impairment losses recognised (note 5) | 39,671 | - |
| Impairment losses reversed (note 5) | - | ( 344,802) |
| At end of year | 39,671 | - |

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

An aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Neither past due nor impaired | 292,787,449 | 347,169,457 |
| Past due but not impaired: | | |
| Less than one month | 104,903,978 | 74,479,447 |
| One to three months | 33,764,330 | 11,330,934 |
| Over three months | 6,818,458 | 15,546,344 |
| | 438,274,215 | 448,526,182 |

18. TRADE AND BILLS RECEIVABLES (continued)

As at the end of the reporting period, the Group had transferred certain bills of exchange amounting to HK$46,065,142 (2017: HK$56,529,760) to banks with recourse in exchange for cash. The proceeds of the Group from transferring the bills receivable of HK$46,065,142 (2017: HK$56,529,760) have been accounted for as collateralised bank advances and have been included in interest-bearing bank borrowings until the bills are collected or the Group makes good of any losses incurred by the banks (note 22).

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have had a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Prepayments | 39,046,993 | 42,848,681 |
| Deposits | 2,669,755 | 1,763,217 |
| Other receivables | 41,906,506 | 22,251,032 |
| | 83,623,254 | 66,862,930 |
| Less: Portion classified as non-current assets | ( 947,217) | ( 361,465) |
| | 82,676,037 | 66,501,465 |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 20. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Cash and bank balances | 63,143,580 | 97,664,883 |
| Pledged time deposits | 137,390,668 | 136,272,526 |
| | 200,534,248 | 233,937,409 |
| Less: Pledged time deposits for banking facilities: | | |
| - with original maturity of less than three months when acquired | ( 98,481,220) | ( 89,847,669) |
| - with original maturity of more than three months when acquired | ( 38,909,448) | ( 46,424,857) |
| Cash and cash equivalents | 63,143,580 | 97,664,883 |

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$221,626 (2017: HK$79,642). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

## 21. OTHER PAYABLES AND ACCRUALS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Other payables | 1,390,025 | 3,243,914 |
| Operating tax payables | 6,811,142 | 6,349,279 |
| Accrued employee benefits | 3,563,782 | 2,397,933 |
| Accruals | 16,770,191 | 13,867,547 |
| Advance from customers | 5,158,614 | 662,407 |
| | 33,693,754 | 26,521,080 |

Other payables are non-interest-bearing and have an average term of three months.

## 22. INTEREST-BEARING BANK BORROWINGS

| | 2018 | | |
|---|---|---|---|
| | Contractual interest rate (%) | Maturity | HK$ |
| Term loans*** | 1.75% over 3 months HIBOR,<br>1.47% per annum,<br>1 month LIBOR+4% p.a.,<br>3 months LIBOR+4% p.a. (minimum 5% p.a.) | 2018 - 2021/<br>on demand | 23,175,205 |
| Collateralised bank advances** | LIBOR+2%,<br>COF^^^+2.25% | 2018/on demand | 46,065,142 |
| Import loan** | USD/GBP/EUR: LIBOR+2%,<br>BFR^^^^+2% p.a. | 2018/on demand | 42,695,971 |
| Currency loan (note (d))** | LIBOR+2% | 2020/on demand | 59,834,424 |
| Trust receipt loans**** | Cost of funding+2.25%,<br>LIBOR+3.5%,<br>HIBOR+2%,<br>LIBOR+2%,<br>Cost of funding+2%,<br>LIBOR+2.37% p.a. | 2018/on demand | 192,949,744 |
| Factoring***** | 1.25% p.a. over BFR^^^^ with recourse term | 2018/on demand | 14,567,616 |
| Bank overdraft****** | 1.5% p.a. | 2018/on demand | 8,073,672 |
| | | | 387,361,774 |

## 22. INTEREST-BEARING BANK BORROWINGS (continued)

| | 2017 | | |
|---|---|---|---|
| | Contractual interest rate (%) | Maturity | HK$ |
| Mortgage loan (note (c))* | 2% below BLR^^ | 2017/on demand | 475,000 |
| Term loans*** | 1% over 1 month HIBOR, 1.75% over 1 month HIBOR, 1.47% per annum, 1.25% over LIBOR | 2017 - 2021/ on demand | 34,719,533 |
| Collateralised bank advances** | LIBOR+2% or 1.25% p.a. over bank funding rate | 2017/on demand | 56,529,760 |
| Import loan** | HKD: HIBOR+2% or USD/GBP/EUR: LIBOR+2% | 2017/on demand | 16,394,495 |
| Currency loan (note (d))** | LIBOR+2% | 2020/on demand | 59,834,424 |
| Trust receipt loans**** | Cost of funding+2.25%, LIBOR+3.5%, HIBOR+2%, LIBOR+2%, Cost of funding+2% | 2017/on demand | 160,565,069 |
| Factoring***** | 0.18% of gross invoice amount with recourse term | 2017/on demand | 9,561,579 |
| Bank overdraft****** | 3.5% p.a. | 2017/on demand | 64,920 |
| | | | 338,144,780 |

* Denominated in HK$
** Denominated in US$
*** Denominated in HK$, US$ and GBP
**** Denominated in US$, EUR and GBP
***** Denominated in US$ and GBP
****** Denominated in HK$ and US$
# London Interbank Offered Rate ("LIBOR")
^ Hong Kong Interbank Offered Rate ("HIBOR")
^^ The Hongkong and Shanghai Banking Corporation best lending rate ("BLR")
^^^ Intesa Sanpaolo S.p.A.'s Cost of Funds ("COF")
^^^^ BNP PARIBAS's Funding Rate ("BFR")

22. INTEREST-BEARING BANK BORROWINGS (continued)

Certain of the Group's bank loan agreements contain repayment on demand clauses and the corresponding bank loans have been classified as current liabilities in the consolidated statement of financial position. Ignoring the effect of any repayment on demand clauses and based on the maturity terms of these loans, the interest-bearing bank borrowings of the Group are repayable:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Analysed into: | | |
| Within one year | 317,609,341 | 262,915,153 |
| In the second year | 5,488,196 | 5,477,196 |
| In the third to fifth years, inclusive | 64,264,237 | 69,752,431 |
| | 387,361,774 | 338,144,780 |

Notes:

(a) The Group's banking facilities are secured by way of:
   (i) the pledge of the Group's time deposits amounted to HK$137,390,668 (2017: HK$136,272,526);
   (ii) bank guarantees with aggregate of HK$14,004,000 (2017: HK$14,004,000);
   (iii) guarantees from the immediate holding company, fellow subsidiaries, directors of the Company and a related party; and
   (iv) certain of the Group's insurance deposits.

(b) The bank loan is secured by the Group's investment property with a carrying amount of HK$12,456,415 (2017: HK$12,781,365) (note 11), interest-bearing at 2.25% over one month HIBOR per annum and repayable by 119 equal monthly installments which commenced on 10 September 2006.

(c) The bank loan is secured by the Group's investment property with a carrying amount of HK$16,106,948 (2017: HK$16,515,469) (note 11), interest-bearing at 2% below HSBC's best lending rate per annum and repayable by 120 equal monthly installments which commenced on 30 September 2007.

(d) The bank loan is secured by the Group's investment property with a carrying amount of HK$87,916,631 (2017: HK$84,355,138) (note 11), interest-bearing at 2% over LIBOR per annum and repayable on 11 August 2020.

## 23. DERIVATIVE FINANCIAL INSTRUMENTS

Assets

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Forward currency contracts | 749,924 | 1,227,791 |

Liabilities

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Forward currency contracts | 2,067,902 | 412,382 |

*Cash flow hedges*

Forward currency contracts are designated as hedging instruments in respect of forecast future sales and forecast purchases in foreign currencies to which the Group has firm commitments. The forward currency contract balances vary with the levels of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

At 31 March 2018, the Group held 72 forward currency contracts (2017: 38) and they are designated as hedges in respect of expected future sales to customers in the United Kingdom for which the Group has firm commitments.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges relating to expected future settlement of sales and purchases between April 2018 to July 2018 were assessed to be highly effective and net losses of HK$2,133,387 (2017: net gains of HK$3,429,362) were included in the hedging reserve as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Total fair value losses/(gains) included in the hedging reserves | 2,698,934 | ( 114,701) |
| Deferred tax on fair value gains | - | ( 115,614) |
| Reclassified from other comprehensive income to the statement of profit or loss (note 5) | ( 565,547) | ( 3,831,195) |
| Deferred tax on reclassifications to profit or loss | - | 632,148 |
| Net losses/(gains) on cash flow hedges | 2,133,387 | ( 3,429,362) |

## 24. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

| | Tax losses HK$ | Depreciation allowance in excess of/ (below) related depreciation HK$ | Cash flows hedge HK$ | Total HK$ |
|---|---|---|---|---|
| At 1 April 2016 | 1,339,769 | 1,328,586 | 516,534 | 3,184,889 |
| Deferred tax charged to the consolidated statement of profit or loss during the year (note 8) | ( 1,339,769) | ( 1,128,086) | - | ( 2,467,855) |
| Deferred tax charged to other comprehensive income during the year (note 8) | - | - | ( 516,534) | ( 516,534) |
| Exchange alignment | - | ( 58,772) | - | ( 58,772) |
| At 31 March 2017 and at 1 April 2017 | - | 141,728 | - | 141,728 |
| Deferred tax credited to the consolidated statement of profit or loss during the year (note 8) | - | 11,857 | - | 11,857 |
| At 31 March 2018 | - | 153,585 | - | 153,585 |

As at the end of the reporting period, the Group had unused tax losses arising in Hong Kong of HK$9,796,710 (2017: HK$18,846,794), which are subject to the agreement of the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against the future taxable profits of the Group.

At the end of the reporting period, deferred tax assets have not been recognised in respect of the following items:

| | 2018 HK$ | 2017 HK$ |
|---|---|---|
| Tax losses | 1,616,457 | 3,109,721 |
| Depreciation below related depreciation allowance | 22,526 | 55,334 |
| Cash flow hedges | 613,346 | 26,116 |
| | 2,252,329 | 3,191,171 |

Deferred tax assets have not been reocognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

## 25. SHARE CAPITAL

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Issued and fully paid: | | |
| 4,000,000 (2017: 4,000,000) ordinary shares | 31,120,000 | 31,120,000 |

## 26. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 10 and 11 of the financial statements.

## 27. PARTLY-OWNED SUBSIDIAIRIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

| | 2018 | 2017 |
|---|---|---|
| Percentage of equity interest held by non-controlling interests: | | |
| Design Arc Asia | 15% | 15% |
| Design Arc Europe | 30% | 30% |
| Spring Near East | 35% | 35% |
| Kleider HK | 49% | 49% |
| Krayons | 20% | 20% |
| JJ Star | 42.5% | 42.5% |
| Twins Asia | 15% | 15% |
| Fareast Vogue | 40% | 40% |

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Profit/(loss) for the year allocated to non-controlling interests: | | |
| Design Arc Asia | ( 960,652) | 751 |
| Design Arc Europe | 1,854,598 | ( 1,298,903) |
| Spring Near East | 3,131,602 | 4,953,510 |
| Kleider HK | 12,374,092 | 12,424,469 |
| Krayons | 1,212,956 | 1,071,488 |
| JJ Star | 1,961,518 | 458,869 |
| Twins Asia | 2,167,608 | ( 34,927) |
| Fareast Vogue | ( 26,536) | ( 831,566) |
| Dividends paid to non-controlling interests: | | |
| Spring Near East | 2,469,286 | 1,645,812 |
| Kleider HK | 11,546,983 | 9,636,712 |
| Krayons | 715,723 | 904,290 |
| Accumulated balances of the non-controlling interests at the reporting dates: | | |
| Design Arc Asia | 950,983 | ( 903,615) |
| Design Arc Europe | ( 5,105,478) | ( 4,201,623) |
| Spring Near East | 8,748,914 | 7,201,665 |
| Kleider HK | 6,674,456 | 5,847,347 |
| Krayons | 1,654,463 | 1,157,230 |
| JJ Star | 1,848,545 | ( 112,973) |
| Twins Asia | 2,132,681 | ( 34,927) |
| Fareast Vogue | ( 858,102) | ( 831,566) |

27. PARTLY-OWNED SUBSIDIAIRIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

| 2018 | Design Arc Asia HK$ | Design Arc Europe HK$ | Spring Near East HK$ | Kleider HK HK$ | Krayons HK$ | JJ Star HK$ | Twins Asia HK$ | Fareast Vogue HK$ |
|---|---|---|---|---|---|---|---|---|
| Revenue | 174,334,396 | 35,161,738 | 599,197,183 | 440,956,660 | 101,211,234 | 159,774,721 | 416,689,808 | 48,251,934 |
| Total expenses, net | ( 163,526,200) | ( 38,544,166) | ( 600,963,085) | ( 417,410,939) | ( 102,643,093) | ( 176,735,294) | ( 402,714,089) | ( 48,771,179) |
| Profit/(loss) and total comprehensive income/(loss) for the year | 12,363,988 | ( 3,202,174) | 8,947,434 | 25,253,248 | 6,064,778 | 4,615,336 | 14,450,722 | ( 66,340) |
| Current assets | 66,596,082 | 17,397,175 | 110,082,123 | 58,693,276 | 27,656,304 | 55,861,986 | 84,936,997 | 12,144,741 |
| Non-current assets | 13,114 | 29,875 | 553,951 | 517,716 | 492,781 | 525,733 | 250,250 | 394,609 |
| Current liabilities | ( 59,491,310) | ( 34,445,310) | ( 87,014,486) | ( 45,888,804) | ( 19,811,670) | ( 52,122,295) | ( 71,030,794) | ( 14,606,804) |
| Net cash flows from/(used in) operating activities | 11,240,867 | 2,795,157 | ( 16,377,696) | 19,580,452 | 5,304,764 | ( 18,230,944) | ( 31,722,797) | 166,132 |
| Net cash flows used in investing activities | ( 16,860) | - | ( 258,140) | - | ( 526,588) | ( 461,995) | ( 179,761) | ( 8,113) |
| Net cash flows from/(used in) financing activities | 8,346,143 | 705,305 | ( 4,149,504) | ( 23,565,270) | ( 2,622,171) | 19,059,084 | 30,407,342 | - |
| Net increase/(decrease) in cash and cash equivalents | 19,570,150 | 3,500,462 | ( 20,785,340) | ( 3,984,818) | 2,156,005 | 366,145 | ( 1,495,216) | 158,019 |

27. PARTLY-OWNED SUBSIDIAIRIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

| 2017 | Design Arc Asia HK$ | Design Arc Europe HK$ | Spring Near East HK$ | Kleider HK HK$ | Krayons HK$ | JJ Star HK$ | Twins Asia HK$ | Fareast Vogue HK$ |
|---|---|---|---|---|---|---|---|---|
| Revenue | 2,943,567 | 51,662,106 | 707,883,686 | 364,454,509 | 138,652,360 | 68,358,933 | 176,291,470 | 15,748,613 |
| Total expenses, net | ( 7,598,846) | ( 57,645,611) | ( 701,915,197) | ( 340,645,569) | ( 138,303,446) | ( 78,842,100) | ( 177,767,557) | ( 18,160,527) |
| Profit/(loss) and total comprehensive income/(loss) for the year | ( 4,655,279) | ( 4,329,675) | 14,152,887 | 25,356,059 | 5,357,442 | 1,079,692 | ( 232,846) | ( 2,052,031) |
| Current assets | 3,083,962 | 5,950,670 | 90,552,196 | 49,717,557 | 12,546,681 | 13,943,128 | 31,302,493 | 1,793,011 |
| Non-current assets | - | 29,875 | 1,073,834 | 517,716 | 72,034 | 304,020 | 146,369 | 11,376 |
| Current liabilities | (8,330,064) | ( 19,985,951) | ( 70,679,437) | ( 38,592,198) | ( 6,767,465) | ( 14,597,060) | ( 31,743,131) | ( 3,805,501) |
| Net cash flows from/(used in) operating activities | 549,855 | ( 1,540,682) | 3,565,765 | 8,884,009 | 3,396,742 | 313,756 | ( 6,249,626) | 92,883 |
| Net cash flows used in investing activities | - | - | ( 1,569,085) | - | ( 45,844) | ( 182,251) | ( 152,749) | ( 13,211) |
| Net cash flows from/(used in) financing activities | - | 1,011,791 | ( 45,306) | ( 5,672,313) | - | 7,054 | 8,736,627 | - |
| Net increase/(decrease) in cash and cash equivalents | 549,855 | ( 528,891) | 1,951,374 | 3,211,696 | 3,350,898 | 138,559 | 2,334,252 | 79,672 |

## 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities

| | Interest-bearing bank borrowings HK$ |
|---|---|
| At 1 January 2017 | 338,144,780 |
| Changes from financing cash flows | 40,426,604 |
| Movement in bank overdraft | 8,008,752 |
| Foreign exchange movement | 781,638 |
| At 31 December 2017 | 387,361,774 |

## 29. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

| | 2018 HK$ | 2017 HK$ |
|---|---|---|
| Guarantees given to banks in connection with facilities granted to fellow subsidiaries | 346,859,211 | 467,988,047 |
| Guarantee given to a third party | - | 77,800,000 |
| | 346,859,211 | 545,788,047 |

At 31 March 2018, the banking facilities guaranteed by the Group to fellow subsidiaries were utilised to the extent of approximately HK$424,312,748 (2017: HK$459,847,151). During the year ended 31 March 2017, none of the guarantee given to a third party was utilised and the guarantee given to a third party was released in full during the year.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the directors exercise judgement in the evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised in the consolidated financial statements.

## 30. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in note 22 to the financial statements.

## 31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 11 to the financial statements) under operating lease arrangements, with the leases negotiated for terms of four years. The terms of the leases generally also require the tenants to pay security deposits. At 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Within one year | 220,690 | 334,664 |

(b) As lessee

The Group leases certain of its staff quarters and office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years. At 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Within one year | 4,554,280 | 5,686,271 |
| In the second to fifth years, inclusive | 1,389,576 | 4,349,514 |
| | 5,943,856 | 10,035,785 |

## 32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Ultimate holding company | | | |
| Rentals paid | (iv) | 1,020,832 | - |
| Fellow subsidiaries: | | | |
| Sales of goods | (i) | 13,659,800 | 11,491,950 |
| Purchase of goods | (i) | 6,307,010 | - |
| Handling fees received | (ii) | 27,453,283 | 23,659,491 |
| Marketing fees paid | (iii) | 54,399,723 | 53,453,261 |
| Rentals received | (iv) | 2,189,700 | 1,790,260 |
| Rentals paid | (iv) | 558,082 | - |
| Service fees received | (v) | 1,988,377 | - |
| Support services fee paid | (vi) | 11,164,272 | 1,103,325 |
| Sampling fees received | (vii) | 6,591,863 | 9,484,151 |
| Sampling fees paid | (viii) | 2,000,550 | 2,297,033 |
| Immediate holding company: | | | |
| Marketing fee paid | (iii) | 12,567,944 | 11,670,000 |
| Management fees paid | (ix) | 8,518,363 | 14,668,479 |

Note:

(i) The sales and purchases were made according to the prices and conditions mutually agreed between the Group and the respective fellow subsidiaries.

(ii) The handling fees received were charged based on terms mutually agreed between the Group and the respective fellow subsidiaries.

(iii) The marketing fees paid were related to the provision of marketing services provided by fellow subsidiaries or the immediate holding company and were based on terms mutually agreed between the Group and the respective fellow subsidiaries or the immediate holding company.

(iv) The rentals received and paid were based on the area of the office space occupied and on terms mutually agreed between the Group, the ultimate holding company and the respective fellow subsidiaries.

(v) The service fees received were charged based on terms mutually agreed between the Group and the respective fellow subsidiaries.

32. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(vi) The support services fees paid were charged based on terms mutually agreed between the Group and the respective fellow subsidiaries.

(vii) The sampling fees received were charged based on terms mutually agreed between the Group and the respective fellow subsidiaries.

(viii) The sampling fees paid were charged based on terms mutually agreed between the Group and the respective fellow subsidiaries.

(ix) The management fees paid were charged on terms mutually agreed between the Group and the respective fellow subsidiaries or the immediate holding company.

(b) Outstanding balances with related parties:

(i) The balances with fellow subsidiaries are unsecured, interest-free and are repayable on demand.

(ii) The balances with non-controlling shareholders are unsecured, interest-free and are repayable on demand.

(iii) The balances with the immediate and ultimate holding companies are unsecured, interest-free and are repayable on demand.

(iv) Particulars of an amount due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

| Name | At 31 March 2018 HK$ | Maximum amount outstanding during the year HK$ | At 31 March 2017 HK$ | Maximum amount outstanding during the year HK$ | At 1 April 2016 HK$ |
|---|---|---|---|---|---|
| JJ Star Fashion Limited | 10,965,669 | 24,124,502 | 7,544,106 | 17,352,025 | 12,764,183 |

The above related company is controlled by the spouse of a director of a subsidiary, JJ Star.

The balances with related companies are unsecured, interest-free and are repayable on demand.

32. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

(v) The amounts due to joint ventures are unsecured, interest free and are repayable on demand.

(c) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 7 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Group comprise held-to-maturity financial assets, trade and bills receivables, deposits and other receivables, amounts due from fellow subsidiaries, a related company and non-controlling shareholders, pledged time deposits, and cash and bank balances, which are categorised as loans and receivables, available-for-sale investments which are categorised as available-for-sale financial assets, and derivative financial instruments which are categorised as financial assets at fair value through profit or loss - held for trading. The carrying amounts of these financial assets are the amounts shown on the consolidated statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Group comprise trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and amounts due to fellow subsidiaries, the ultimate holding company, the immediate holding company, a non-controlling shareholder, related companies and joint ventures, which are categorised as financial liabilities at amortised cost, and derivative financial instruments which are categorised as financial liabilities at fair value through profit or loss. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statement of financial position or in the corresponding notes to the financial statements.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts 2018 HK$ | Fair values 2018 HK$ | Carrying amounts 2017 HK$ | Fair values 2017 HK$ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Held-to-maturity financial assets | 28,634,208 | 28,501,725 | 23,607,645 | 24,084,455 |
| Available-for-sale investments | 54,365,652 | 54,365,652 | 29,628,278 | 29,628,278 |
| Derivative financial instruments | 749,924 | 749,924 | 1,227,791 | 1,227,791 |
| | 83,749,784 | 83,617,301 | 54,463,714 | 54,940,524 |

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

| | Carrying amounts 2018 HK$ | Fair values 2018 HK$ | Carrying amounts 2017 HK$ | Fair values 2017 HK$ |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Derivative financial instruments | 2,067,902 | 2,067,902 | 412,382 | 412,382 |

Management has assessed that the fair values of trade and bills receivables, deposits and other receivables, amounts due from fellow subsidiaries, a related company and non-controlling shareholders, pledged time deposits, cash and bank balances, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, amounts due to fellow subsidiaries, the immediate holding company, non-controlling shareholders, related companies and joint ventures approximated to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the non-current portion of deposits has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, the carrying amount is not significantly different from its fair value.

Management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of listed equity investments included in the available-for-sale investments and the fair values of listed debt securities included in the held-to-maturity are based on quoted market prices. The fair value of the available-for-sale investments for life insurance policies has been estimated based on the surrender value of the policies as detailed in note 16 to the consolidated financial statements. The directors believe that the estimated fair value resulting therefrom, which is recorded in the consolidated statement of financial position, and the related change in fair value, which is recorded in the other comprehensive loss, are reasonable, and that it was the most appropriate value at the end of the reporting period.

The Group enters into derivative financial instruments with financial institutions with high credit ratings. Derivative financial instruments, representing forward currency contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

As at 31 March 2018, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$ | Significant observable inputs (Level 2) HK$ | Significant unobservable inputs (Level 3) HK$ | Total HK$ |
| *Assets measured at fair value*: | | | | |
| At 31 March 2018 | | | | |
| Available-for-sale investments | 30,099,910 | - | 24,265,742 | 54,365,652 |
| Derivative financial instruments | - | 749,924 | - | 749,924 |
| | 30,099,910 | 749,924 | 24,265,742 | 55,115,576 |
| At 31 March 2017 | | | | |
| Available-for-sale investments | 6,226,464 | - | 23,401,814 | 29,628,278 |
| Derivative financial instruments | - | 1,227,791 | - | 1,227,791 |
| | 6,226,464 | 1,227,791 | 23,401,814 | 30,856,069 |

The movements in fair value measurements within Level 3 during the year are as follows:

| | 2018 HK$ | 2017 HK$ |
|---|---|---|
| Available-for-sale investments - life insurance policies | | |
| At beginning of year | 23,401,814 | - |
| Purchases | - | 28,220,783 |
| Total gains/(losses) recognised in other comprehensive income | 863,928 | ( 4,818,969) |
| At end of year | 24,265,742 | 23,401,814 |

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$ | Significant observable inputs (Level 2) HK$ | Significant unobservable inputs (Level 3) HK$ | Total HK$ |
| *Liabilities measured at fair value*: | | | | |
| At 31 March 2018 | | | | |
| Derivative financial instruments | - | 2,067,902 | - | 2,067,902 |
| At 31 March 2017 | | | | |
| Derivative financial instruments | - | 412,382 | - | 412,382 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$ | Significant observable inputs (Level 2) HK$ | Significant unobservable inputs (Level 3) HK$ | Total HK$ |
| *Assets for which fair values are disclosed*: | | | | |
| At 31 March 2018 | | | | |
| Held-to-maturity financial assets | - | 28,501,725 | - | 28,501,725 |
| At 31 March 2017 | | | | |
| Held-to-maturity financial assets | - | 24,084,455 | - | 24,084,455 |

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

*Interest rate risk*

The Group's interest rate risk arises from cash and bank balances, pledged time deposits and bank borrowings which bears interest at variable rates.

The following table demonstrates the sensitivity to a reasonably possible change in HK$ interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on cash and time deposits at banks and floating rate borrowings). There is no impact on the Company's equity except on the retained profits.

| | Increase/ (decrease) in basis points % | Increase/ (decrease) in profit before tax HK$ |
|---|---|---|
| 2018 | | |
| HK$ | 50 | ( 934,138) |
| HK$ | ( 50) | 934,138 |
| 2017 | | |
| HK$ | 50 | ( 521,037) |
| HK$ | ( 50) | 521,037 |

*Foreign currency risk*

The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Group's functional currency. The Group uses forward currency contracts to eliminate the foreign currency exposures on its sales transactions, for which the corresponding settlements are anticipated to take place more than one month after the Group has entered into firm commitments for the sales. The forward currency contracts must be in the same currency as that of the hedged items. The Group negotiates the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness. It is the Group's policy that a forward contract is not entered into until a firm commitment is in place.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the GBP exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity except on the retained profits.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

| | Change in the exchange rate % | Increase/ (decrease) in profit before tax HK$ |
|---|---|---|
| 31 March 2018 | | |
| If HK$ weakens against GBP | 10 | 3,651,831 |
| If HK$ strengthens against GBP | ( 10) | ( 3,651,831) |
| 31 March 2017 | | |
| If HK$ weakens against GBP | 10 | 4,281,093 |
| If HK$ strengthens against GBP | ( 10) | ( 4,281,093) |

*Credit risk*

The Group trades on credit terms only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise deposits and other receivables, amounts due from group companies, bank balances and pledged time deposits, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 33.7% (2017: 39.7%) and 56.9% (2017: 64.0%) of the Group's trade receivables were due from the Group's largest single customer and three largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 18 to the financial statements.

*Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either are repayable on demand or are repayable within one year subsequent to the end of the reporting period.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to its shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 3,722,987 | 3,850,717 |
| Investment properties | 28,563,363 | 29,296,834 |
| Investments in subsidiaries | 104,349,928 | 103,805,328 |
| Investment in a joint venture | 18,346,050 | 7,298,497 |
| Held-to-maturity financial assets | 28,634,208 | 10,782,778 |
| Available-for-sale investments | 24,265,742 | 23,401,814 |
| Deposits | 947,217 | 361,465 |
| Total non-current assets | 208,829,495 | 178,797,433 |
| CURRENT ASSETS | | |
| Trade and bills receivables | 95,199,103 | 259,453,694 |
| Prepayments, deposits and other receivables | 25,451,796 | 24,378,622 |
| Available-for-sale investments | 29,992,704 | 3,224,504 |
| Due from fellow subsidiaries | 202,348,361 | 54,004,423 |
| Due from subsidiaries | 97,393,879 | 90,810,985 |
| Loan to a subsidiary | 1,750,500 | 1,750,500 |
| Derivative financial instruments | 747,478 | 1,001,739 |
| Pledged time deposits | 118,204,334 | 118,962,687 |
| Cash and bank balances | 16,632,142 | 51,263,644 |
| Total current assets | 587,720,297 | 604,850,798 |
| CURRENT LIABILITIES | | |
| Trade and bills payables | 53,600,683 | 98,921,720 |
| Other payables and accruals | 18,688,409 | 17,800,064 |
| Interest-bearing bank borrowings | 242,649,704 | 252,691,220 |
| Due to the immediate holding company | 776,462 | 6,381,957 |
| Due to the ultimate holding company | 11,448 | - |
| Due to a related company | 51,248 | 7,780 |
| Due to fellow subsidiaries | 32,481,222 | 28,964,267 |
| Due to subsidiaries | 83,764,242 | 39,691,962 |
| Derivative financial instruments | 2,012,720 | 28,050 |
| Tax payable | 5,017,482 | 5,030,883 |
| Total current liabilities | 439,053,620 | 449,517,903 |
| NET CURRENT ASSETS | 148,666,677 | 155,332,895 |
| Net assets | 357,496,172 | 334,130,328 |

continued/…

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| EQUITY | | |
| Share capital | 31,120,000 | 31,120,000 |
| Reserves (note) | 326,376,172 | 303,010,328 |
| Total equity | 357,496,172 | 334,130,328 |



Omprakash Makam Suryanarayan Setty
Director

Deepak Kumar Seth
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

| | Available-for-sale investment revaluation reserve HK$ | Hedging reserve HK$ | Retained profits HK$ | Total HK$ |
|---|---|---|---|---|
| At 1 April 2016 | - | ( 1,780,074) | 312,033,840 | 310,253,766 |
| Profit for the year | - | - | 23,098,757 | 23,098,757 |
| Other comprehensive income/(loss) for the year: | | | | |
| Changes in fair values of available-for-sale investments, net of tax | ( 4,309,959) | - | - | ( 4,309,959) |
| Cash flow hedges, net of tax | - | 2,753,764 | - | 2,753,764 |
| Total comprehensive income/(loss) for the year | ( 4,309,959) | 2,753,764 | 23,098,757 | 21,542,562 |
| Final 2016 dividend paid | - | - | ( 9,336,000) | ( 9,336,000) |
| Interim 2017 dividend paid | - | - | ( 19,450,000) | ( 19,450,000) |
| At 31 March 2017 and at 1 April 2017 | ( 4,309,959) | 973,690 | 306,346,597 | 303,010,328 |
| Profit for the year | - | - | 35,911,021 | 35,911,021 |
| Other comprehensive loss for the year: | | | | |
| Changes in fair values of available-for-sale investments, net of tax | ( 1,670,446) | - | - | ( 1,670,446) |
| Cash flow hedges, net of tax | - | ( 2,238,931) | - | ( 2,238,931) |
| Total comprehensive income/(loss) for the year | ( 1,670,446) | ( 2,238,931) | 35,911,021 | 32,001,644 |
| First 2018 interim dividend paid | - | - | ( 2,800,800) | ( 2,800,800) |
| Second 2018 interim dividend paid | - | - | ( 5,835,000) | ( 5,835,000) |
| At 31 March 2018 | ( 5,980,405) | ( 1,265,241) | 333,621,818 | 326,376,172 |

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2018.

# SIMPLE APPROACH LIMITED

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# SIMPLE APPROACH LIMITED

## DIRECTORS' CONSOLIDATED REPORT

The directors present their consolidated report and the audited financial statements for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading. The principal activity of the subsidiary is set out in Note (19) to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiary (the "Group") for the year are set out in the consolidated statement of comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Group are set out in Note (18) to the consolidated financial statements.

There were no movements in reserves except for changes to retained earnings which arose from profit or loss.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (11) to the consolidated financial statements.

### DIRECTORS

(a) Directors of the Company

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

Sandeep Malhotra
Deepak Burman
Rohit Girotra

In accordance with Article 7 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiary

During the year and up to date of this consolidated report, Rohit Girotra and Deepak Kumar Seth are the directors of the subsidiary of the Company.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Except for the related party transactions as disclosed in Note (24) to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Group was a party and in which directors of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of the directors of the Company and holding Company (whether made by the Company or otherwise) or an associated Company (if made by the Company).

## BUSINESS REVIEW

By a special resolution passed on September 30, 2014, the Group resolved to dispense the preparation of a business review for the financial year ended March 31, 2018 and every subsequent financial year. Accordingly, the Group is exempted from preparing a business review for this financial year.

## AUDITORS

The Group's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Sandeep Malhotra
Chairman

Hong Kong, May 18, 2018.

**LOUIS LAI & LUK CPA LIMITED** CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIMPLE APPROACH LIMITED (incorporated in Hong Kong with limited liability)

## Opinion

We have audited the consolidated financial statements of Simple Approach Limited ("the Company") and its subsidiary ("the Group") set out on pages 7 to 35, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**Responsibilities of Directors and Those charged with Governance for Consolidated Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, May 18, 2018.

# SIMPLE APPROACH LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 671,860,183 | 527,044,088 |
| COST OF SALES | | (586,037,417) | (451,691,347) |
| GROSS PROFIT | | 85,822,766 | 75,352,741 |
| OTHER INCOME AND GAINS | (6) | 16,577,868 | 12,355,661 |
| SELLING AND DISTRIBUTION COSTS | | ( 35,808,266) | ( 25,714,800) |
| DEPRECIATION EXPENSES | | ( 777,657) | ( 611,276) |
| STAFF COSTS | | ( 29,287,418) | ( 28,685,002) |
| OTHER OPERATING EXPENSES | | ( 29,254,187) | ( 24,174,967) |
| PROFIT FROM OPERATIONS | | 7,273,106 | 8,522,357 |
| FINANCE COSTS | (7) | ( 1,658,040) | ( 2,149,377) |
| PROFIT BEFORE TAXATION | (8) | 5,615,066 | 6,372,980 |
| TAXATION | (10) | ( 1,002,670) | ( 1,139,732) |
| PROFIT FOR THE YEAR | | 4,612,396 | 5,233,248 |
| OTHER COMPREHENSIVE LOSS | | | |
| Item that may be reclassified to profit or loss: | | | |
| - Exchange difference on translating foreign operations | | ( 125,907) | ( 191,938) |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDER FOR THE YEAR | | 4,486,489 | 5,041,310 |

THE NOTES ON PAGES 12 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

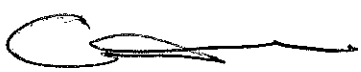
# SIMPLE APPROACH LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

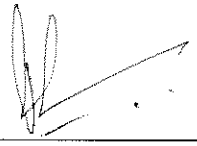
## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | (11) | 1,465,897 | 869,667 |
| Current Assets | | | |
| Deposits and prepayment | | 1,316,341 | 1,262,992 |
| Amount due from immediate holding company | (12) | 1,556,000 | 1,556,000 |
| Amounts due from fellow subsidiaries | (12) | 3,167,466 | 7,906,179 |
| Amount due from a director | (9ii) | 7,993,678 | 6,089,460 |
| Trade and other receivables | (13) | 132,199,975 | 157,514,995 |
| Cash and cash equivalents | | 11,859,629 | 4,595,231 |
| Tax recoverable | | 65,045 | - |
| | | 158,158,134 | 178,924,857 |
| Current Liabilities | | | |
| Amounts due to fellow subsidiaries | (14) | 20,216,354 | 1,142,094 |
| Trade and other payables | (15) | 58,231,714 | 45,099,416 |
| Secured bank borrowings | (16) | 41,773,918 | 98,455,781 |
| Obligation under finance leases | (17) | 25,226 | 127,008 |
| Provision for taxation | | 34,377 | 114,272 |
| | | 120,281,589 | 144,938,571 |
| Net Current Assets | | 37,876,545 | 33,986,286 |
| NET ASSETS | | 39,342,442 | 34,855,953 |
| EQUITY | | | |
| Share capital | (18) | 18,983,200 | 18,983,200 |
| Translation reserve | | ( 775,543) | ( 649,636) |
| Retained earnings | | 21,134,785 | 16,522,389 |
| TOTAL EQUITY | | 39,342,442 | 34,855,953 |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:



Sandeep Malhotra
Director



Rohit Girotra
Director

THE NOTES ON PAGES 12 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# SIMPLE APPROACH LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Translation Reserve | Retained Earnings | Total |
|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ |
| At April 1, 2016 | 18,983,200 | (457,698) | 11,289,141 | 29,814,643 |
| Profit for the year and total comprehensive income for the year | - | (191,938) | 5,233,248 | 5,041,310 |
| At March 31, 2017 and April 1, 2017 | 18,983,200 | (649,636) | 16,522,389 | 34,855,953 |
| Profit for the year and total comprehensive income for the year | - | (125,907) | 4,612,396 | 4,486,489 |
| At March 31, 2018 | 18,983,200 | (775,543) | 21,134,785 | 39,342,442 |

THE NOTES ON PAGES 12 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# SIMPLE APPROACH LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 5,615,066 | 6,372,980 |
| Adjustments for: | | |
| Depreciation | 777,657 | 611,276 |
| Bank interest income | ( 147) | ( 25,104) |
| Interest expenses | 1,448,095 | 2,149,377 |
| Plant and equipment written off | - | 3,715 |
| **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | 7,840,671 | 9,112,244 |
| Increase in deposits and prepayment | ( 53,349) | ( 424,378) |
| Decrease/(Increase) in trade and other receivables | 25,315,020 | (5,032,732) |
| Increase/(Decrease) in trade and other payables | 13,132,298 | (1,965,618) |
| Net payment to immediate holding company | - | (1,556,000) |
| Net receipts from/(payment to) fellow subsidiaries | 23,812,973 | (3,390,853) |
| Net payment to a director | ( 1,904,218) | (1,860,213) |
| **NET CASH GENERATED FROM/(USED IN) OPERATIONS** | 68,143,395 | (5,117,550) |
| Bank interest received | 147 | 25,104 |
| Bank interest paid | ( 1,448,095) | (2,149,377) |
| Hong Kong profits tax paid | ( 1,051,267) | (1,967,019) |
| Tax paid in other jurisdiction | ( 96,343) | ( 63,871) |
| Net cash generated from/(used in) operating activities | 65,547,837 | (9,272,713) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of plant and equipment and net cash used in investing activities | ( 1,373,002) | ( 592,321) |

THE NOTES ON PAGES 12 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# SIMPLE APPROACH LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net receipt from secured bank borrowings | (56,681,863) | 4,930,312 |
| Repayment of obligations under finance leases | ( 101,782) | ( 88,225) |
| Net cash (used in)/generated from financing activities | (56,783,645) | 4,842,087 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 7,391,190 | (5,022,947) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 4,595,231 | 9,812,811 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | ( 126,792) | ( 194,633) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 11,859,629 | 4,595,231 |

THE NOTES ON PAGES 12 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# SIMPLE APPROACH LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Simple Approach Limited is a company incorporated in Hong Kong with limited liability. The principal activity of the Group is garment trading. The address of its registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the immediate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Group, and accordingly, they have had no material impact on the Group's consolidated financial statements for the year ended March 31, 2018.

c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied any new and revised HKFRSs that have been issued but are not year effective for the accounting year ended March 31, 2018, in these consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's statements of financial position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

| | |
|---|---|
| Office equipment | 20% - 33 ⅓% |
| Furniture and fixtures | 33 ⅓% |
| Computer equipment | 30% - 33 ⅓% |
| Leasehold improvement | 33 ⅓% |
| Plant and machinery | 33 ⅓% |
| Motor vehicles | 33 ⅓% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the financial statements and any gain or loss on the disposal is included in the consolidated statement of comprehensive income.

f. Inventories

Inventories are stated at the lower of cost and net realisbale value.

Cost of raw materials is arrived at by reference to the suppliers' invoiced cost and is in general assigned to individual items on the first-in, first-out basis.

Net realizable value is based on estimated selling prices less any further costs expected to be incurred. When inventories are sold, the carrying amount of those inventories is recognised as an expenses in the year in which the related revenue is recognised.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

i. Financial Assets

Financial assets of the Group are only classified under loans and receivables category.

j. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

k. Financial Liabilities

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities comprise trade and other payables, and amounts due to fellow subsidiaries and a director, which are subsequently measured at amortized cost, using the effective interest method.

l. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 consolidated statement of comprehensive income.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income.

p. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of the Group's business. It is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when the goods are delivered to buyer.
- Interest income from bank deposits is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Commission income, management fee income and design fee income are recognised when the services are rendered.
- Other income is recognised on a receipt basis.

r. Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme is held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Group is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit costs arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contribution payable to the funds by the Group in accordance with the rules of the scheme.

s. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the consolidated statement of comprehensive income.

Provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period are not provided in the financial statements as such leaves are not permitted to be carried forward and utilized by the respective employees in the following year. Sick leave and maternity leave are recognised until the time of leave as directors consider that no material liability would arise as a result of such entitlements in the near future.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

t. Borrowing Cost

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

u. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Group's policy for borrowing cost as stated in the preceding note.

v. Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

w. Finance Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are accounted for as finance leases.

Assets held under finance leases are recognised as assets of the Group at the lower of their fair value or present value of the minimum lease payments at the date of acquisition. The depreciation policy for such assets is consistent with that for equivalent depreciable assets which are owned by the Group, unless there is no reasonable certainty that the Group will obtain the ownership of such assets by the end of the lease terms, in which case the assets will be fully depreciated over the shorter of the lease terms of their estimated useful life.

The corresponding liability to the lessor is included in the consolidated statement of financial position as an obligation under finance lease. The finance costs, which represent the difference between the total leasing commitments and the outstanding principal amount at the date of inception of the finance lease, are charged to the consolidated statement of comprehensive income at a constant periodic rate on the remaining balance of the obligations under finance leases or hire purchase contracts for each accounting period.

x. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

y. Related Parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or a parent of the Group.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

z. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Group comprise trade and other receivable, deposits, amounts due from ultimate holding company and fellow subsidiaries, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the consolidated and company statements of financial position or in the corresponding notes to the consolidated financial statements. The financial liabilities of the Group comprise trade and other payables, and amounts due to fellow subsidiaries and a director which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statement of financial position or in the corresponding notes to the consolidated financial statements.

### (ii) Financial risk management

The Group's financial risks are limited by the financial management policies and practices described below:

#### (a) Credit risk

The Group has no significant concentrations of credit risk because the creditworthiness of each of the Group's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Group is adequately protected from the credit risk.

#### (b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. As at the end of reporting period, the Group keeps sufficient cash equivalents. Accordingly, the liquidity risk on difficult realization of cash equivalent is immaterial.

#### (c) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

## 6. REVENUE, OTHER INCOME AND GAINS

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Revenue, other income and gains recognised during the year are as follows: | | |
| Revenue: | | |
| Sale of goods | 671,860,183 | 527,044,088 |
| Other income and gains: | | |
| Bank charge recovery | 1,431,466 | - |
| Bank interest income | 147 | 25,104 |
| Commission income | 10,985,943 | 10,266,776 |
| Claim and recovery | 3,602,827 | 911,083 |
| Exchange gain, net | 544,591 | 371,378 |
| Sundry income | 12,894 | 781,320 |
| | 16,577,868 | 12,355,661 |
| Total revenue recognised | 688,438,051 | 539,399,749 |

## 7. FINANCE COSTS

| | | |
|---|---|---|
| Interest on bank loans | 1,442,546 | 1,482,455 |
| Bank finance charges | 209,945 | 655,391 |
| Finance lease interest | 5,549 | 11,531 |
| | 1,658,040 | 2,149,377 |

8. PROFIT BEFORE TAXATION

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Profit before taxation is stated after charging/(crediting): | | |
| Depreciation | 777,657 | 611,276 |
| Exchange gain, net | ( 544,591) | ( 371,378) |
| Plant and equipment written off | - | 3,715 |
| Rental payment under operating leases - properties | 2,288,626 | 1,659,001 |
| Staff costs (including directors' remuneration) | | |
| - Salaries and allowance | 27,377,204 | 26,757,745 |
| - MPF contribution | 514,866 | 470,807 |
| - Director's quarter expenses | 1,231,944 | 1,230,219 |
| - Recruitment expenses | 163,404 | 226,231 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Group disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | 3,112,104 | 3,135,640 |
| Retirement benefits | 18,000 | 18,000 |
| | 3,130,104 | 3,153,640 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Group and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

| Name of borrower | Relationship | Outstanding principal: At beginning of year | Outstanding principal: At end of year | Outstanding principal: Maximum outstanding |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$ |
| Sandeep Malhotra | Director | 6,089,460 | 7,993,678 | 7,993,678 |
| NorLanka Mfg. Ltd. | Fellow subsidiary | (1,099,558) | (7,397,104) | (7,397,104) |
| Techno Design HK Ltd. | Fellow subsidiary | 268,814 | 268,814 | 268,814 |
| Nordelhi Manufacturing Ltd. | Fellow subsidiary | 1,729,517 | 1,729,517 | 1,729,518 |
| Norwest Industries Ltd. | Fellow subsidiary | 2,254,770 | (12,669,076) | (12,669,076) |
| PDS Asia Star Corporation Ltd. | Fellow subsidiary | 442,891 | 103,797 | 442,891 |
| Spring Near East Manufacturing Ltd. | Fellow subsidiary | 925,594 | 925,594 | 925,594 |
| Zarmira Fashion Ltd. | Fellow subsidiary | 2,284,593 | ( 42,367) | 2,284,593 |
| Poeticgerm Ltd. | Fellow subsidiary | ( 42,536) | ( 107,806) | ( 107,806) |
| Kleider Sourcing Hong Kong Ltd. | Fellow subsidiary | - | 139,743 | 139,743 |
| | | 6,764,085 | (17,048,888) | |
| Multinational Textile Group Ltd. | Immediate holding company | 1,556,000 | 1,556,000 | 1,556,000 |

Principal terms: The loans, quasi-loans and credit transactions are interest free, unsecured and have no fixed repayment terms.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director.

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(iii) Material interests of directors (including shadow directors) of the Group disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, except for the related party transactions as disclosed in Note (24) to the financial statements, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2017:16.5%) on the estimated assessable profits for the current year. Profits tax of subsidiary has been calculated at the prevailing rate of the country in which the subsidiary operates.

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Current - Hong Kong | | |
| - Charge for the year | 971,482 | 1,056,527 |
| - Overprovision for prior year | - | ( 20,000) |
| Current - Overseas: | | |
| - Charge for the year | 33,260 | 103,205 |
| - Overprovision for prior year | ( 2,072) | - |
| Total tax charge for the year | 1,002,670 | 1,139,732 |
| The tax charge for the year can be reconciled to the profit per consolidated statement of comprehensive income as follows: | | |
| Profit before taxation | 5,615,066 | 6,372,980 |
| Tax at the domestic income tax rate | 941,171 | 1,096,024 |
| Tax effect of expenses that are not deductible in determining taxable profit | 126,582 | 103,048 |
| Tax effect of income that are not taxable in determining taxable profit | ( 24) | ( 21) |
| Net tax allowance claimed | ( 32,987) | ( 39,319) |
| Over-provision for previous year | ( 2,072) | ( 20,000) |
| Tax celling for the year of assessment 2017/18 | ( 30,000) | - |
| Taxation expense for the year | 1,002,670 | 1,139,732 |

# SIMPLE APPROACH LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. PLANT AND EQUIPMENT

| | Office Equipment | Furniture and Fixtures | Computer Equipment | Leasehold Improvement | Motor Vehicles | Plant and Machinery | Total |
|---|---|---|---|---|---|---|---|
| Cost | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| At 1/4/2016 | 823,923 | 191,943 | 1,039,023 | 872,183 | 340,000 | 6,568 | 3,273,640 |
| Additions | 186,218 | 14,594 | 160,753 | 230,756 | - | - | 592,321 |
| Written off | (390,947) | (122,810) | ( 387,266) | ( 28,600) | - | - | ( 929,623) |
| Exchange realignment | ( 5,014) | - | ( 13,668) | - | - | - | ( 18,682) |
| At 31/3/2017 and 1/4/2017 | 614,180 | 83,727 | 798,842 | 1,074,339 | 340,000 | 6,568 | 2,917,656 |
| Additions | 82,707 | 548,337 | 265,647 | 476,311 | - | - | 1,373,002 |
| Exchange realignment | 2,480 | - | 7,127 | - | - | - | 9,607 |
| At 31/3/2018 | 699,367 | 632,064 | 1,071,616 | 1,550,650 | 340,000 | 6,568 | 4,300,265 |
| Accumulated depreciation | | | | | | | |
| At 1/4/2016 | 655,567 | 180,627 | 860,322 | 594,015 | 84,994 | 3,282 | 2,378,807 |
| Charge for the year | 132,475 | 13,958 | 111,311 | 238,021 | 113,322 | 2,189 | 611,276 |
| Written back | (389,917) | (122,798) | ( 384,596) | ( 28,597) | - | - | ( 925,908) |
| Exchange realignment | ( 4,518) | - | ( 11,668) | - | - | - | ( 16,186) |
| At 31/3/2017 and 1/4/2017 | 393,607 | 71,787 | 575,369 | 803,439 | 198,316 | 5,471 | 2,047,989 |
| Charge for the year | 119,478 | 157,549 | 150,883 | 235,331 | 113,322 | 1,094 | 777,657 |
| Exchange realignment | 2,324 | - | 6,398 | - | - | - | 8,722 |
| At 31/3/2018 | 515,409 | 229,336 | 732,650 | 1,038,770 | 311,638 | 6,565 | 2,834,368 |
| Net Carrying Amount | | | | | | | |
| At 31/3/2018 | 183,958 | 402,728 | 338,966 | 511,880 | 28,362 | 3 | 1,465,897 |
| At 31/3/2017 | 220,573 | 11,940 | 223,473 | 270,900 | 141,684 | 1,097 | 869,667 |

## 12. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due from immediate holding company/fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayments. No provisions for bad and doubtful debts have been recognised on the amounts due from these companies. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 13. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade receivables (Note (i)) | 110,898,899 | 135,026,454 |
| Advance to vendors | 16,741,153 | 15,682,622 |
| Other receivables | 4,559,923 | 6,805,919 |
| | 132,199,975 | 157,514,995 |

(i) Aging analysis of trade receivables is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 101,412,649 | 125,454,984 |
| Past due but not impaired | 9,486,250 | 9,571,470 |
| | 110,898,899 | 135,026,454 |

Trade receivables are due within 90 days from date of billing.

## 14. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The fellow subsidiaries agreed not to demand repayment of the amounts due until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 15. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade payable (Note (i)) | 49,380,189 | 38,123,333 |
| Bills payable | - | 1,655,389 |
| Trade deposit received | - | 35,362 |
| Other payables and accruals | 8,851,525 | 5,285,332 |
| Total | 58,231,714 | 45,099,416 |

(i) Maturity of the trade payables is as follows:

| | | |
|---|---|---|
| Due for payment: | | |
| Not later than one year | 49,380,189 | 38,123,333 |

## 16. SECURED BANK BORROWINGS

| | | |
|---|---|---|
| Discounted bills loan | 11,676,245 | 16,000,648 |
| Trust receipts loan | 30,097,673 | 43,372,583 |
| Factoring loan | - | 39,082,550 |
| | 41,773,918 | 98,455,781 |

## 17. OBLIGATIONS UNDER FINANCE LEASES

The Group holds a motor vehicle with an estimated useful life of three years under three years finance lease. The future minimum lease payments are as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Within one year | 25,226 | 94,207 |
| Later than one year but within five years | - | 32,801 |
| | 25,226 | 127,008 |

The obligation is classified as:

| | | |
|---|---|---|
| Current liability | 25,226 | 94,207 |
| Non-current liability | - | 32,801 |
| | 25,226 | 127,008 |

18. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Issued and fully paid: | | | | |
| Ordinary shares of US$1 each | 250,000 | 1,945,000 | 250,000 | 1,945,000 |
| 9% redeemable preference shares of US$1 each | 2,190,000 | 17,038,200 | 2,190,000 | 17,038,200 |
| At March 31 | 2,440,000 | 18,983,200 | 2,440,000 | 18,983,200 |

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

## 19. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | | 1,437,213 | 830,878 |
| Investment in a subsidiary | (20a) | 1,704,341 | 1,704,341 |
| | | 3,141,554 | 2,535,219 |
| Current Assets | | | |
| Deposits and prepayment | | 1,302,037 | 1,250,140 |
| Amount due from immediate holding company | | 1,556,000 | 1,556,000 |
| Amounts due from fellow subsidiaries | | 3,167,466 | 7,906,179 |
| Amount due from a director | | 7,993,678 | 6,089,460 |
| Trade and other receivables | | 132,072,889 | 157,471,715 |
| Cash and cash equivalents | | 11,136,698 | 3,892,232 |
| Tax recoverable | | 65,045 | - |
| | | 157,293,813 | 178,165,726 |
| Current Liabilities | | | |
| Amounts due to fellow subsidiaries | | 20,216,354 | 1,142,094 |
| Amount due to a subsidiary | | 996,860 | 1,192,320 |
| Trade and other payables | | 58,214,489 | 45,091,495 |
| Secured bank borrowings | | 41,773,918 | 98,455,781 |
| Obligation under finance leases | | 25,226 | 127,008 |
| Provision for taxation | | - | 14,740 |
| | | 121,226,847 | 146,023,438 |
| Net Current Assets | | 36,066,966 | 32,142,288 |
| NET ASSETS | | 39,208,520 | 34,677,507 |
| EQUITY | | | |
| Share capital | | 18,983,200 | 18,983,200 |
| Retained earnings | | 20,225,320 | 15,694,307 |
| TOTAL EQUITY | | 39,208,520 | 34,677,507 |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Sandeep Malhotra
Director

Rohit Girotra
Director

20. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(a) Particulars of principal subsidiary

| Name of subsidiary | Place of incorporation | Percentage of ownership and voting power | | Nature of business |
|---|---|---|---|---|
| | | 2018 | 2017 | |
| Simple Approach (Canada) Limited | Canada | 100% | 100% | Garment trading and procures sales orders behalf of a foreign affiliated for a marketing fee |

21. OPERATING LEASE COMMITMENTS

(a) At the end of reporting period, the Group had outstanding commitments under its non-cancellable operating leases, which fall due as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Within one year | - | 3,935,959 |
| In the second to fifth years inclusive | - | 187,874 |
| | - | 4,123,833 |

(b) Operating lease arrangements represent rental payable by the Group for its rented premises. Leases are negotiated for a term of one to three years.

22. MOVEMENT IN THE RESERVES OF THE COMPANY

| | Retained Earnings |
|---|---|
| | HK$ |
| At April 1, 2016 | 10,713,748 |
| Profit for the year and total comprehensive income for the year | 4,980,559 |
| At March 31, 2017 and April 1, 2017 | 15,694,307 |
| Profit for the year and total comprehensive income for the year | 4,531,013 |
| At March 31, 2018 | 20,225,320 |

## 23. BANKING FACILITIES

General banking facilities granted by a bank were secured by the Group's fixed deposit, fellow subsidiaries' corporate guarantee, ultimate holding and immediate holding companies' corporate guarantee, directors' personal guarantee, bank guarantee and fellow subsidiary's properties.

## 24. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following material transactions with its related parties below.

| Name of Company | Relationship | Nature of transaction | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Global Textile Group Ltd., | Fellow subsidiary | Consultancy fee | 1,180,880 | 1,266,094 |
| Mauritius | | Sampling expense | 2,137,392 | - |
| Multinational Textile | Immediate holding | Management fee | 1,867,200 | 1,470,420 |
| Group Ltd., Mauritius | company | SAP facilities charges | 248,960 | 163,380 |
| Norwest Industries Ltd., | Fellow subsidiary | Rental fee | 1,260,000 | 1,035,000 |
| Hong Kong | | Commission income | (10,985,943) | (10,166,405) |
| | | Commission expenses | 24,277,723 | 18,143,696 |
| | | Recharge expenses | 4,564,459 | 2,017,052 |
| Poeticgem Ltd., UK | Fellow subsidiary | Recharge expenses | 1,326,047 | 511,231 |
| Zamira Fashion Ltd., Hong Kong | Fellow subsidiary | Recharge expenses | 590,043 | 188,995 |
| PDS Asia Star Corporation Ltd., Hong Kong. | Fellow subsidiary | Recharge income | ( 1,439,727) | ( 959,812) |
| Nor Lanka Manufacturing Ltd. | Fellow subsidiary | Purchase | 12,013,259 | - |
| Kleider Sourcing Hong Kong Ltd. | Fellow subsidiary | Sampling expenses | 336,968 | - |

## 25. CONTINGENT LIABILITIES

(a) The Group had the following contingent liabilities not provided for in the consolidated financial statements at the end of reporting period:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Irrevocable letter of credit | 114,332,360 | 115,401,569 |

(b) At the end of reporting period, there were mutual guarantees between the Group and its fellow subsidiary.

## 26. CURRENCY RISK

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong Dollars, translated using the spot rate at the end of reporting period.

(Expressed in HKD)
2018

| | USD | GBP | EURO | RMB | BDT | CAD | Total |
|---|---|---|---|---|---|---|---|
| Trade and other receivables | 131,613,010 | - | 179,379 | - | 139,366 | 127,085 | 132,058,840 |
| Cash and cash equivalent | 10,197,161 | 124,987 | 81,936 | - | 578,907 | 307,055 | 11,290,046 |
| Trade and other payables | ( 57,818,575) | - | - | - | ( 28,887) | ( 17,225) | ( 57,864,687) |
| Bank borrowings | ( 41,773,918) | - | - | - | - | - | ( 41,773,918) |
| Net exposure arising from recognised assets and liabilities | 42,217,678 | 124,987 | 261,315 | - | 689,386 | 416,915 | 43,710,281 |

(Expressed in HKD)
2017

| | USD | GBP | EURO | RMB | BDT | CAD | Total |
|---|---|---|---|---|---|---|---|
| Trade and other receivables | 151,395,374 | - | 5,110,955 | - | ( 2,505) | 43,280 | 156,547,104 |
| Cash and cash equivalent | 3,858,756 | 110,919 | 7,749 | - | 114,014 | 382,440 | 4,473,878 |
| Trade and other payables | ( 44,590,592) | - | - | (35,964) | ( 69,002) | ( 7,921) | ( 44,703,479) |
| Bank borrowings | ( 95,606,697) | - | (2,849,084) | - | - | - | ( 98,455,781) |
| Net exposure arising from recognised assets and liabilities | 15,056,841 | 110,919 | 7,967,788 | (35,964) | 42,507 | 417,799 | 17,861,722 |

26. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Group has significant exposure at the consolidated statement of financial position date.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| United States Dollars | - | - | - | - |
| British Pound | 10,430 | (10,436) | 9,262 | ( 9,262) |
| Euro Dollars | 21,820 | (21,820) | 665,310 | (665,310) |
| Chinese Yuan | - | - | ( 3,003) | 3,003 |
| Bangladeshi Taka | 57,564 | (57,564) | 3,549 | ( 3,549) |
| Canadian Dollar | 34,812 | (34,812) | 34,886 | ( 34,886) |
| | 124,626 | (124,626) | 710,004 | (710,004) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Group's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Group's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

27. INTEREST RATE RISK

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Financial liabilities bearing variable interests: | | |
| Discounted bills loan | 11,676,245 | 16,000,648 |
| Trust receipts loan | 30,097,673 | 43,372,583 |
| Factoring loan | 45,172,912 | 39,082,550 |
| | 86,946,830 | 98,455,781 |

Should market interest rate on March 31 increase by 10%, the profit or loss for the year would be reduced by a net amount of HK$138,446 (2017: HK$179,473). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

28. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on May 18, 2018.

# SIMPLE APPROACH LIMITED
## CONSOLIDATED DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
### (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 671,860,183 | 527,044,088 |
| COST OF SALES | | |
| Opening inventories | | - |
| Purchases | 580,632,227 | 448,412,318 |
| Accessories and fabric consumption | 5,405,190 | 3,279,029 |
| | 586,037,417 | 451,691,347 |
| GROSS PROFIT | 85,822,766 | 75,352,741 |
| OTHER INCOME | | |
| Bank charge recovery | 1,431,466 | - |
| Bank interest income | 147 | 25,104 |
| Commission income | 10,985,943 | 10,266,776 |
| Claim and recovery | 3,602,827 | 911,083 |
| Exchange gain, net | 544,591 | 371,378 |
| Sundry income | 12,894 | 781,320 |
| | 102,400,634 | 87,708,402 |
| SELLING AND DISTRIBUTION COSTS (SCH II) | ( 35,808,266) | ( 25,714,800) |
| OPERATING EXPENSES (SCH III) | ( 60,977,302) | ( 55,620,622) |
| PROFIT BEFORE TAXATION | 5,615,066 | 6,372,980 |

# SIMPLE APPROACH LIMITED
## CONSOLIDATED DETAILED INCOME STATEMENT (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

SCH II

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **SELLING AND DISTRIBUTION COST** | | |
| Advertising and promotion | - | 3,703 |
| Claims and penalty | 1,036,977 | 1,306,591 |
| Commission | 24,972,977 | 18,573,526 |
| Design fee | 21,095 | 607,217 |
| Freight charge | 6,143,458 | 2,091,047 |
| Import duty | | - |
| Inspection fee | 94,297 | 84,848 |
| Sample charges | 2,805,247 | 2,668,265 |
| Storage charges | 30,859 | 28,539 |
| Testing charges | 703,356 | 351,064 |
| | 35,808,266 | 25,714,800 |
| **OPERATING EXPENSES** | | |
| Depreciation Expenses | | |
| Depreciation | 777,657 | 611,276 |
| Finance costs | | |
| Interest on bank loans | 1,442,546 | 1,482,455 |
| Bank finance charge | 209,945 | 655,391 |
| Finance lease interest | 5,549 | 11,531 |
| | 1,658,040 | 2,149,377 |
| Staff Costs | | |
| Director's quarter expense | 1,231,944 | 1,230,219 |
| Director's remuneration | 1,838,160 | 1,887,421 |
| MPF contribution | 496,866 | 470,807 |
| Recruitment expenses | 163,404 | 226,231 |
| Staff salaries and allowance | 25,557,044 | 24,870,324 |
| | 29,287,418 | 28,685,002 |

# SIMPLE APPROACH LIMITED
## CONSOLIDATED DETAILED INCOME STATEMENT (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
### (FOR MANAGEMENT INFORMATION ONLY)

SCH III

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **OPERATING EXPENSES (CONT'D)** | | |
| Other Operating Expenses | | |
| Auditors' remuneration | 143,319 | 111,031 |
| Bank charges | 1,560,936 | 2,281,144 |
| Cleaning | 81,162 | 56,339 |
| Consultancy fee | 2,622,077 | 2,184,288 |
| Courier charges | 3,276,776 | 2,377,933 |
| Donation | 500 | 24,947 |
| Entertainment | 568,114 | 669,606 |
| General and office expenses | 41,242 | 32,042 |
| Insurance | 601,908 | 103,097 |
| Legal and professional fee | 202,806 | 78,364 |
| License fee | 7,664 | 25,023 |
| Local travelling | 844,537 | 911,408 |
| Management fee | 1,867,200 | 1,470,420 |
| Marketing fee | 3,061,468 | 3,423,682 |
| Motor vehicle expenses | 642,041 | 730,130 |
| Newspaper, books and magazine | 6,239 | 4,573 |
| Office supplies | 153,221 | 152,790 |
| Overseas travelling | 3,701,246 | 3,658,066 |
| Plant and equipment written off | - | 3,715 |
| Printing and stationery | 392,853 | 292,758 |
| Recharge expenses | 5,238,320 | 1,694,769 |
| Rent, rates and building management fee | 2,709,495 | 2,286,967 |
| Repairs and maintenance | 358,027 | 125,886 |
| SAP facilities charges | 248,960 | 163,380 |
| Sundry expenses | 212,045 | 652,358 |
| Telephone, fax and postage | 498,428 | 539,726 |
| Visa expenses | 2,775 | 9,376 |
| Water, electricity and gas | 210,828 | 111,149 |
| | 29,254,187 | 24,174,967 |
| | 60,977,302 | 55,620,622 |

# SIMPLE APPROACH LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
### (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 671,860,183 | 527,044,088 |
| COST OF SALES | | |
| Purchases | 580,632,227 | 448,412,318 |
| Accessories and fabric consumption | 5,405,190 | 3,279,029 |
| | 586,037,417 | 451,691,347 |
| GROSS PROFIT | 85,822,766 | 75,352,741 |
| OTHER INCOME | | |
| Bank charges recovery | 1,431,466 | - |
| Bank interest income | 147 | 25,104 |
| Commission income | 10,985,943 | 10,266,776 |
| Claim and recovery | 3,602,827 | 911,083 |
| Exchange gain, net | 557,280 | 373,777 |
| Sundry income | 292,974 | 765,604 |
| | 102,693,403 | 87,695,085 |
| SELLING AND DISTRIBUTION COSTS (SCH II) | ( 38,403,140) | ( 27,994,177) |
| OPERATING EXPENSES (SCH III) | ( 58,787,768) | ( 53,683,822) |
| PROFIT BEFORE TAXATION | 5,502,495 | 6,017,086 |

# SIMPLE APPROACH LIMITED
## DETAILED INCOME STATEMENT (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH II**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **SELLING AND DISTRIBUTION COST** | | |
| Claims and penalty | 1,036,977 | 1,306,591 |
| Commission | 27,572,246 | 20,873,265 |
| Design fee | 16,700 | 607,217 |
| Freight charge | 6,143,458 | 2,091,047 |
| Inspection fee | 94,297 | 84,848 |
| Sample charges | 2,805,247 | 2,651,606 |
| Storage charges | 30,859 | 28,539 |
| Testing charges | 703,356 | 351,064 |
| | 38,403,140 | 27,994,177 |
| **OPERATING EXPENSES** | | |
| Depreciation Expenses | | |
| Depreciation | 766,664 | 598,497 |
| Finance costs | | |
| Interest on bank loans | 1,442,546 | 1,482,455 |
| Bank finance charges | 209,945 | 655,391 |
| Finance lease interest | 5,549 | 11,531 |
| | 1,658,040 | 2,149,377 |
| Staff Costs | | |
| Director's quarter expense | 1,231,944 | 1,230,219 |
| Director's remuneration | 1,278,000 | 1,320,000 |
| MPF contribution | 496,866 | 470,807 |
| Recruitment expenses | 163,404 | 226,231 |
| Staff salaries and allowance | 24,649,320 | 24,139,581 |
| | 27,819,534 | 27,386,838 |

# SIMPLE APPROACH LIMITED
## DETAILED INCOME STATEMENT (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)



| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **OPERATING EXPENSES (CONT'D)** | | |
| Other Operating Expenses | | |
| Auditors' remuneration | 143,319 | 111,031 |
| Bank charges | 1,558,320 | 2,278,588 |
| Cleaning | 81,162 | 56,339 |
| Consultancy fee | 2,622,077 | 2,184,288 |
| Courier charges | 3,213,586 | 2,315,277 |
| Donation | 500 | 21,992 |
| Entertainment | 527,760 | 620,956 |
| Insurance | 585,763 | 99,746 |
| Legal and professional fee | 157,293 | 41,127 |
| License fee | 7,664 | 25,023 |
| Local travelling | 844,537 | 911,408 |
| Management fee | 1,867,200 | 1,470,420 |
| Marketing fee | 3,061,468 | 3,423,682 |
| Motor vehicle expenses | 642,041 | 730,130 |
| Newspaper, books and magazine | 6,238 | 4,573 |
| Office supplies | 153,221 | 152,790 |
| Overseas travelling | 3,425,066 | 3,416,500 |
| Plant and equipment written off | - | 3,715 |
| Printing and stationery | 392,852 | 292,758 |
| Recharge expenses | 5,238,320 | 1,694,769 |
| Rent, rates and building management fee | 2,527,182 | 2,115,558 |
| Repairs and maintenance | 340,797 | 125,886 |
| SAP facilities charges | 248,960 | 163,380 |
| Sundry expenses | 208,180 | 651,936 |
| Telephone, fax and postage | 476,421 | 516,713 |
| Visa expenses | 2,775 | 9,376 |
| Water, electricity and gas | 210,828 | 111,149 |
| | 28,543,530 | 23,549,110 |
| | 58,787,768 | 53,683,822 |

Report of the Directors and Audited Financial Statements

NOR LANKA MANUFACTURING LIMITED

31 March 2018

CERTIFIED TRUE COPY

ERNST & YOUNG

EY安永

Building a better working world

NOR LANKA MANUFACTURING LIMITED

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NOR LANKA MANUFACTURING LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activities
The principal activities of the Company have not changed during the year consist of the trading of garments and investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 10 to the financial statements. There were no significant changes in the nature of the Company's principal activities during the year.

Results and dividends
The Company's profit for the year ended 31 March 2018 and its financial position at that date are set out in the financial statements on pages 5 to 46.

The directors do not recommend the payment of any dividend in respect of the year.

Directors
The directors of the Company during the year were:

Deepak Kumar Seth
Pallak Seth
Payel Seth

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests
At no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

Auditors
Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

.....
Pallak Seth
Chairman

Hong Kong
29 May 2018

EY安永

Ernst & Young
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1 Tim Mei Avenue
Central, Hong Kong

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**Independent auditor's report**
**To the member of Nor Lanka Manufacturing Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the financial statements of Nor Lanka Manufacturing Limited (the "Company") set out on pages 5 to 46, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") relevant to these financial statements and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the financial statements**
The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable HKFRSs issued by the HKICPA that are relevant to these financial statements and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

**Independent auditor's report** (continued)
**To the member of Nor Lanka Manufacturing Limited**
(Incorporated in Hong Kong with limited liability)

**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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Independent auditor's report** (continued)
**To the member of Nor Lanka Manufacturing Limited**
(Incorporated in Hong Kong with limited liability)

**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 May 2018



A member firm of Ernst & Young Global Limited

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| REVENUE | 5 | 626,434,459 | 572,367,377 |
| Cost of sales | | ( 547,149,219) | ( 527,204,145) |
| Gross profit | | 79,285,240 | 45,163,232 |
| Other income and gains | 5 | 6,719,640 | 18,801,959 |
| Selling and distribution expenses | | ( 18,726,758) | ( 14,517,100) |
| Administrative expenses | | ( 58,197,310) | ( 47,570,072) |
| Other operating expenses | | ( 871,828) | ( 943,046) |
| Finance costs | 7 | ( 1,279,771) | ( 1,353,140) |
| PROFIT/(LOSS) BEFORE TAX | 6 | 6,929,213 | ( 418,167) |
| Income tax expense | 9 | - | ( 1,439,261) |
| PROFIT/(LOSS) FOR THE YEAR | | 6,929,213 | ( 1,857,428) |

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Note | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| PROFIT/(LOSS) FOR THE YEAR | | 6,929,213 | ( 1,857,428) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Other comprehensive income/(loss) to be reclassified to the statement of profit or loss in subsequent periods: | | | |
| Cash flow hedges: | | | |
| Effective portion of changes in fair value of hedging instruments arising during the year | 16 | ( 67,059) | 917,624 |
| Reclassification adjustments for gains/(losses) included in the statement of profit or loss | 16 | 172,603 | ( 77,248) |
| Income tax effect | 16 | - | ( 164,778) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | 105,544 | 675,598 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | 7,034,757 | ( 1,181,830) |

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 509,236 | 1,011,637 |
| Investments in subsidiaries | 10 | 4,656,511 | 4,656,511 |
| Total non-current assets | | 5,165,747 | 5,668,148 |
| CURRENT ASSETS | | | |
| Inventories | 12 | 29,316,893 | 24,736,668 |
| Trade receivables | 13 | 64,169,972 | 55,109,403 |
| Prepayments, deposits and other receivables | 14 | 16,731,115 | 14,386,840 |
| Due from the immediate holding company | 22(b) | 24,553,440 | 23,059,724 |
| Due from fellow subsidiaries | 22(b) | 17,860,682 | 11,072,652 |
| Due from a subsidiary | 22(b) | 15,516,042 | 25,004,165 |
| Derivative financial instruments | 16 | 2,446 | 226,052 |
| Cash and cash equivalents | | 7,582,814 | 4,435,960 |
| Total current assets | | 175,733,404 | 158,031,464 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | | 30,685,829 | 17,957,792 |
| Other payables and accruals | 15 | 2,896,412 | 1,908,037 |
| Due to an intermediate holding company | 22(b) | 2,501,339 | 1,645,469 |
| Due to a fellow subsidiary | 22(b) | 140,040 | - |
| Due to a subsidiary | 22(b) | 8 | 8 |
| Derivative financial instruments | 16 | 55,182 | 384,332 |
| Interest-bearing bank borrowings | 17 | 46,871,086 | 51,089,476 |
| Tax payable | | 19,172,444 | 19,172,444 |
| Total current liabilities | | 102,322,340 | 92,157,558 |
| NET CURRENT ASSETS | | 73,411,064 | 65,873,906 |
| Net assets | | 78,576,811 | 71,542,054 |

continued/...

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF FINANCIAL POSITION (continued)

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| EQUITY | | | |
| Share capital | 19 | 10,000 | 10,000 |
| Reserves | | 78,566,811 | 71,532,054 |
| Total equity | | 78,576,811 | 71,542,054 |

Pallak Seth
Director

Deepak Kumar Seth
Director

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Share Capital HK$ | Hedging reserve HK$ | Retained profits HK$ | Total equity HK$ |
|---|---|---|---|---|
| At 1 April 2016 | 10,000 | ( 834,148) | 73,548,032 | 72,723,884 |
| Loss for the year | - | - | ( 1,857,428) | ( 1,857,428) |
| Other comprehensive income for the year: | | | | |
| Cash flow hedges, net of tax | - | 675,598 | - | 675,598 |
| Total comprehensive income/(loss) for the year | - | 675,598 | ( 1,857,428) | ( 1,181,830) |
| At 31 March 2017 and at 1 April 2017 | 10,000 | ( 158,550)* | 71,690,604* | 71,542,054 |
| Profit for the year | - | - | 6,929,213 | 6,929,213 |
| Other comprehensive income for the year: | | | | |
| Cash flow hedges, net of tax | - | 105,544 | - | 105,544 |
| Total comprehensive income for the year | - | 105,544 | 6,929,213 | 7,034,757 |
| At 31 March 2018 | 10,000 | ( 53,006)* | 78,619,817* | 78,576,811 |

* These reserve accounts comprise the reserves of HK$78,566,811 (2017: HK$71,532,054) in the statement of financial position.

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | | 6,929,213 | ( 418,167) |
| Adjustments for: | | | |
| Interest income | 5 | ( 33) | ( 1,963) |
| Depreciation | 6 | 869,581 | 942,345 |
| Finance costs | 7 | 1,279,771 | 1,353,140 |
| Loss on disposal of items of property, plant and equipment | 6 | - | 439 |
| Write-down of inventories to net realisable value | 6 | 175,797 | - |
| Net fair value gains from cash flow hedges (transfer from equity) | 6 | 172,603 | ( 77,248) |
| | | 9,426,932 | 1,798,546 |
| (Increase)/decrease in inventories | | ( 4,756,022) | 3,633,647 |
| (Increase)/decrease in trade receivables | | ( 9,060,569) | 36,536,412 |
| (Increase)/decrease in prepayments, deposits and other receivables | | ( 2,344,275) | 17,043,141 |
| Increase in amounts due from fellow subsidiaries | | ( 6,788,030) | ( 6,441,913) |
| Decrease/(increase) in an amount due from a subsidiary | | 9,488,123 | ( 12,896,199) |
| Increase in trade and bills payables | | 12,728,037 | 2,569,828 |
| Increase in other payables and accruals | | 988,375 | 896,014 |
| Increase in an amount due from the immediate holding company | | ( 1,493,716) | ( 20,560,094) |
| Increase in an amount due to an intermediate holding company | | 855,870 | 828,569 |
| Decrease in an amount due to a subsidiary | | - | ( 8) |
| Increase in an amount due to a fellow subsidiary | | 140,040 | - |
| Change of balances of derivative financial instruments | | ( 172,603) | 77,248 |
| Cash generated from operations | | 9,012,162 | 23,485,191 |
| Interest received | | 33 | 1,963 |
| Interest paid | | ( 1,279,771) | ( 1,353,140) |
| Net cash flows from operating activities | | 7,732,424 | 22,134,014 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | ( 367,180) | ( 195,406) |
| Net cash flows used in investing activities | | ( 367,180) | ( 195,406) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans | | 7,040,300 | 5,764,632 |
| Repayment of bank loans | | ( 11,258,690) | ( 25,233,889) |
| Net cash flows used in financing activities | | ( 4,218,390) | ( 19,469,257) |

continued/...

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2018

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,146,854 | 2,469,351 |
| Cash and cash equivalents at beginning of year | 4,435,960 | 1,966,609 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 7,582,814 | 4,435,960 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 7,582,814 | 4,435,960 |
| Cash and cash equivalents as stated in the statement of cash flows | 7,582,814 | 4,435,960 |

## 1. CORPORATE INFORMATION

Nor Lanka Manufacturing Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the year, the Company was principally involved in the trading of garments and investment holding.

The Company is a wholly-owned subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

## 2.1 BASIS OF PREPARATION

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance that are relevant to the preparation of company level financial statements by an intermediate parent company.

As the Company is a holding company that is a wholly-owned subsidiary of another body corporate, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance, and is therefore not required to prepare consolidated financial statements.

Given the above, these financial statements are not prepared for the purposes of compliance with HKFRS 10 "Consolidated Financial Statements", so far as the preparation of consolidated financial statements is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the Company of which the Company is the parent. These financial statements have been prepared under the historical cost convention. They are presented in Hong Kong dollars ("HK$").

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[2] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Company is in the process of making an assessment of the impact of the revised HKFRSs upon initial application but not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's financial performance and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment loss.

Fair value measurement

The Company measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Furniture and fixtures | 25% |
| Office equipment | 33⅓% |

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investments and other financial assets
*Initial recognition and measurement*
Financial assets of the Company are classified, at initial recognition, as loans and receivables or derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction cost that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*
The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
*Subsequent measurement* (continued)
*Financial assets at fair value through profit or loss* (continued)
Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

*Initial recognition and subsequent measurement*

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)
*Initial recognition and subsequent measurement* (continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship with which the Company wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument for cash flow hedges is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

*Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Company expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the actual basis and comprises invoiced value of purchases, freight and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Operating leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Revenue recognition
Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) handling fee, marketing fee and commission income, when the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

*Retirement benefit costs*

The Company operates a mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currency transactions

These financial statements are presented in HK$, which is the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Classification of financial instruments*

Management has made judgements on the classification of financial assets and financial liabilities in the process of applying the Company's accounting policies, which have significant effect on the amounts recognised in the financial statements. The Company determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging whether they meet the definition of financial assets and financial liabilities set out in HKAS 39.

HKAS 32 *Financial Instruments: Presentation* and HKAS 39 require that the Company carries certain of its financial assets at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilises different valuation methodologies. Any such changes in the fair values of these financial assets would affect directly the Company's financial position and equity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Impairment of non-financial assets*

Where an indication of impairment exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

*Impairment of trade receivables*

The Company maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Company makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Company would be required to revise the basis of making the allowance and its future results would be affected.

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

*Impairment of inventories*

Management reviews the ageing analysis of inventories of the Company at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and the provision charge/write-back of provision for obsolete and slow-moving inventory items in the period in which estimate has been changed.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold.

An analysis of other income and gains is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest income | 33 | 1,963 |
| Handling income | 2,422,313 | 3,340,546 |
| Foreign exchange differences, net | 234,051 | 1,514,865 |
| Compensation from suppliers | 4,063,243 | 2,870,566 |
| Commission income | - | 8,107,577 |
| Marketing fee income | - | 2,959,885 |
| Others | - | 6,557 |
| | 6,719,640 | 18,801,959 |

## 6. PROFIT/(LOSS) BEFORE TAX

The Company's profit/(loss) before tax is arrived at after charging/(crediting):

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Cost of inventories sold | 547,149,219 | 527,204,145 |
| Auditor's remuneration | 99,817 | 65,578 |
| Depreciation | 869,581 | 942,345 |
| Loss on disposal of items of property, plant and equipment | - | 439 |
| Employee benefit expense (excluding directors' remuneration (note 8)): | | |
| Salaries and allowances | 21,038,625 | 18,441,801 |
| Pension scheme contributions (defined contribution scheme) | 1,022,078 | 1,048,180 |
| | 22,060,703 | 19,489,981 |
| Minimum lease payments under operating leases | 153,412 | 64,490 |
| Net fair value gain from cash flow hedges (transfer from equity on disposal) | 172,603 | ( 77,248) |
| Foreign exchange differences, net | ( 234,051) | ( 1,514,865) |
| Write-down of inventories to net realisable value | 175,797 | - |

## 7. FINANCE COSTS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest on bank loans and overdrafts | 1,279,771 | 1,353,140 |

## 8. DIRECTORS' REMUNERATION

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

## 9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year.

For the year ended 31 March 2017, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year.

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Charge for the year | - | 115,873 |
| Deferred (note 18) | - | 1,323,388 |
| Total tax charge for the year | - | 1,439,261 |

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax at the statutory rate to the tax charge/(credit) at the Company's effective tax rate is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Profit/(loss) before tax | 6,929,213 | ( 418,167) |
| Tax charge/(credit) at the Hong Kong statutory tax rate | 1,143,320 | ( 68,998) |
| Income not subject to tax | (104,712,881) | ( 46,517) |
| Expenses not deductible for tax | 103,569,561 | 159,673 |
| Others | - | 1,395,103 |
| Tax charge at the Company's effective rate | - | 1,439,261 |

There was no significant unprovided deferred tax charge in respect of the year and as at the end of the reporting period (2017: Nil).

## 10. INVESTMENTS IN SUBSIDIARIES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Unlisted investments, at cost | 4,656,511 | 4,656,511 |

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2018 are as follows:

| Name | Place of incorporation/ registration and business | Nominal value of issued ordinary/ registered share capital | Percentage of equity directly attributable to the Company 2018 | 2017 | Principal activities |
|---|---|---|---|---|---|
| Nor Lanka Colombo Manufacturing Company Limited | Sri Lanka | Sri Lankan Rupee ("LKR") 64,427,000 | 100% | 100% | Trading of garment products |
| Nor Lanka Progress (Private) Limited* | Sri Lanka | 1 United States dollars ("US$") | 100% | 100% | Inactive |

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst &Young global network.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures HK$ | Office equipment HK$ | Total HK$ |
|---|---|---|---|
| **31 March 2018** | | | |
| At 31 March 2017 and 1 April 2017: | | | |
| Cost | 967,324 | 3,902,042 | 4,869,366 |
| Accumulated depreciation | ( 938,553) | ( 2,919,176) | ( 3,857,729) |
| Net carrying amount | 28,771 | 982,866 | 1,011,637 |
| At 1 April 2017, net of accumulated depreciation | 28,771 | 982,866 | 1,011,637 |
| Additions | - | 367,180 | 367,180 |
| Depreciation provided during the year | ( 28,752) | ( 840,829) | ( 869,581) |
| At 31 March 2018, net of accumulated depreciation | 19 | 509,217 | 509,236 |
| At 31 March 2018: | | | |
| Cost | 967,324 | 4,269,222 | 5,236,546 |
| Accumulated depreciation | ( 967,305) | ( 3,760,005) | ( 4,727,310) |
| Net carrying amount | 19 | 509,217 | 509,236 |

11. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Furniture and fixtures HK$ | Office equipment HK$ | Total HK$ |
|---|---|---|---|
| **31 March 2017** | | | |
| At 1 April 2016: | | | |
| Cost | 1,909,027 | 7,775,197 | 9,684,224 |
| Accumulated depreciation | ( 1,809,246) | ( 6,115,963) | ( 7,925,209) |
| Net carrying amount | 99,781 | 1,659,234 | 1,759,015 |
| At 1 April 2016, net of accumulated depreciation | 99,781 | 1,659,234 | 1,759,015 |
| Additions | - | 195,406 | 195,406 |
| Disposals | ( 43) | ( 396) | ( 439) |
| Depreciation provided during the year | ( 70,967) | ( 871,378) | ( 942,345) |
| At 31 March 2017, net of accumulated depreciation | 28,771 | 982,866 | 1,011,637 |
| At 31 March 2017: | | | |
| Cost | 967,324 | 3,902,042 | 4,869,366 |
| Accumulated depreciation | ( 938,553) | ( 2,919,176) | ( 3,857,729) |
| Net carrying amount | 28,771 | 982,866 | 1,011,637 |

## 12. INVENTORIES

The Company's inventories represented fabrics sourced for supplies to manufacturers for their production of garments for the Company.

## 13. TRADE RECEIVABLES

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade receivables are non-interest-bearing and are on terms of up to 120 days. The Company seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Company does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Neither past due nor impaired | 39,782,164 | 41,159,220 |
| Past due but not impaired: | | |
| Less than one month | 17,111,707 | 10,020,487 |
| One to three months | 6,932,407 | 599,010 |
| Over three months | 343,694 | 3,330,686 |
| | 64,169,972 | 55,109,403 |

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have had a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at the end of the reporting period of 2017, the Company has transferred certain bills of exchange amounting to HK$3,375,854 (2018: Nil) to banks with recourse in exchange for cash. The proceeds of the Company from transferring the bills receivables of HK$3,375,854 (2018: Nil) have been accounted for as collateralised bank advances and have been included in interest-bearing bank borrowings until the bills are collected or the Company makes good of any losses incurred by the banks (note 17).

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Prepayments | 16,603,757 | 13,861,140 |
| Deposits | 20,000 | 253,400 |
| Other receivables | 107,358 | 272,300 |
| | 16,731,115 | 14,386,840 |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 15. OTHER PAYABLES AND ACCRUALS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Other payables | 2,400,845 | 1,471,092 |
| Accrued employee benefits | - | 22,562 |
| Accruals | 495,567 | 414,383 |
| | 2,896,412 | 1,908,037 |

Other payables are non-interest-bearing and have an average term of three months.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

Assets

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Forward currency contracts | 2,446 | 226,052 |

Liabilities

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Forward currency contracts | ( 55,182) | ( 384,332) |

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

*Cash flow hedges*
Forward currency contracts are designated as hedging instruments in respect of forecast future sales and forecast purchases in foreign currencies to which the Company has firm commitments. The forward currency contract balances vary with the levels of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

At 31 March 2018, the Company held 4 forward currency contracts (2017: 2) designated as hedges in respect of expected future sales to customers in the United Kingdom and Europe for which the Company has firm commitments.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges relating to expected future sales between April 2018 and July 2018 were assessed to be highly effective and net gain of HK$105,544 (2017: net gain of HK$675,598) were included in the hedging reserve as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Total fair value gains included in the hedging reserves | 67,059 | ( 917,624) |
| Deferred tax on fair value gains | - | 151,408 |
| Reclassified from other comprehensive income to the statement of profit or loss (note 6) | ( 172,603) | 77,248 |
| Deferred tax on reclassifications to the statement of profit or loss | - | 13,370 |
| Net gains on cash flow hedges | ( 105,544) | ( 675,598) |

## 17. INTEREST-BEARING BANK BORROWINGS

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Contractual Interest rate (%) per annum | Maturity | HK$ | Contractual interest rate (%) per annum | Maturity | HK$ |
| Trust receipt loans* | Cost of funding plus 2.25% | 2018/ on demand | 1,796,156 | Cost of funding plus 2% or 2.25% | 2017/ on demand | 6,680,445 |
| Collateralised bank advances* | LIBOR# plus 2.25% | 2018/ on demand | - | LIBOR# plus 2.25% | 2017/ on demand | 3,375,854 |
| Factoring* | 1.25% p.a. over BFR^^ with recourse term | 2018/ on demand | 14,359,217 | 0.18% of gross invoice amount with recourse term | 2017/ on demand | 8,067,341 |
| Import loans* | LIBOR# plus 2% | 2018/ on demand | 30,715,713 | HIBOR^ plus 2% or LIBOR# plus 2% | 2017/ on demand | 32,965,836 |
| | | | 46,871,086 | | | 51,089,476 |

* Denominated in US$
\# London Interbank Offered Rate ("LIBOR")
^ Hong Kong Interbank Offered Rate ("HIBOR")
^^ BNP PARIBAS's Funding Rate ("BFR")

Certain of the Company's bank loan agreements contain repayment on demand clauses and the corresponding bank loans have been classified as current liabilities in the statement of financial position. Ignoring the effect of any repayment on demand clauses and based on the maturity terms of these loans, the interest-bearing bank borrowings of the Company are repayable within one year.

Certain of the Company's bank borrowings are secured by guarantees from an intermediate holding company, fellow subsidiaries, directors of the immediate holding company and a related party.

## 18. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

| | Tax losses HK$ | Depreciation below related depreciation allowance HK$ | Cash flow hedges HK$ | Total HK$ |
|---|---|---|---|---|
| At 1 April 2016 | 1,339,769 | ( 16,381) | 164,778 | 1,488,166 |
| Deferred tax charged to the statement of profit or loss during the year (note 9) | ( 1,339,769) | 16,381 | - | ( 1,323,388) |
| Deferred tax credited to other comprehensive income during the year | - | - | ( 164,778) | ( 164,778) |
| At 31 March 2017, at 1 April 2017 and 31 March 2018 | - | - | - | - |

## 19. SHARE CAPITAL

| | 2018 HK$ | 2017 HK$ |
|---|---|---|
| Issued and fully paid: 10,000 (2017: 10,000) ordinary shares | 10,000 | 10,000 |

## 20. NOTE TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

| | Interest-bearing bank borrowings HK$ |
|---|---|
| At 1 April 2017 | 51,089,476 |
| Changes from financing cash flows | ( 4,218,390) |
| At 31 March 2018 | 46,871,086 |

## 21. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

| | 2018 HK$ | 2017 HK$ |
|---|---|---|
| Guarantees given to banks in connection with facilities granted to the immediate holding company | 50,000,000 | 50,000,000 |

At 31 March 2018, the banking facilities guaranteed by the Company to the immediate holding company were utilised to the extent of approximately HK$23,935,373 (2017: HK$44,327,346).

## 22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year:

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Immediate holding company: | | | |
| Commission fee paid | (ii) | 165,024 | 412,132 |
| Sales of goods | (iii) | 86,894,156 | 77,065,341 |
| Support services paid | (iv) | - | 35,921 |
| Intermediate holding company: | | | |
| Marketing fees paid | (v) | 11,670,000 | 11,670,000 |
| Management fees paid | (v) | 2,412,047 | 1,957,286 |
| IT support expenses paid | (i) | - | 828,570 |
| Fellow subsidiaries: | | | |
| Sales of goods | (iii) | 13,496,084 | 4,483,931 |
| Purchase of goods | (vi) | 189,427 | - |
| Sampling fees paid | (vii) | 786,297 | 1,658,533 |
| Sampling fees received | (xi) | 531,614 | - |
| Rental fees paid | (xii) | 121,927 | - |
| Handling fees received | (xiii) | 1,158,327 | - |
| Support services paid | (iv) | 722,160 | 2,038,688 |
| Support services received | (viii) | - | 1,055,759 |
| Commission fee paid | (x) | - | 117,610 |
| Commission fee received | (ix) | - | 8,107,577 |
| Subsidiaries: | | | |
| Purchase of goods | (vi) | 43,556,765 | 61,093,607 |
| Support services paid | (iv) | - | 29,178,844 |

22. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) The IT support expenses paid were based on terms mutually agreed by the Company and the respective related parties.

(ii) The commission fee paid was related to referrals of customers and was charged at a term mutually agreed between the Company and the immediate holding company.

(iii) The sales were made according to the prices and conditions mutually agreed between the Company and the respective related parties.

(iv) The support services paid were charged based on terms mutually agreed by the Company and the respective related parties.

(v) The management fees and marketing fees paid were based on terms mutually agreed between the Company and the respective related parties.

(vi) The purchases were made according to the prices and conditions mutually agreed between the Company and the respective related parties.

(vii) The sampling fees paid were charged at terms mutually agreed between the Company and the fellow subsidiaries.

(viii) The support services income was charged based on terms mutually agreed by the Company and the fellow subsidiary.

(ix) The commission fee was received based on terms mutually agreed by the Company and the fellow subsidiary.

(x) The commission fee was paid based on terms mutually agreed by the Company and the fellow subsidiary.

(xi) The sampling fees received were charged based on terms mutually agreed between the Company and the fellow subsidiary.

(xii) The rentals paid were based on the area of the office space occupied and on terms mutually agreed between the Company and the fellow subsidiary.

(xiii) The handling fees received were charged based on terms mutually agreed between the Company and the fellow subsidiary.

## 22. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

The balances with an intermediate holding company, the immediate holding company, subsidiaries and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## 23. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, deposits and other receivables, amounts due from the immediate holding company, fellow subsidiaries and a subsidiary, and cash and cash equivalents which are categorised as loans and receivables. Derivative financial instruments are categorised as financial assets or financial liabilities at fair value through profit or loss - held for trading. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Company comprise trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and amounts due to an intermediate holding company, a fellow subsidiary and a subsidiary which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

## 24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts 2018 HK$ | Fair values 2018 HK$ | Carrying amounts 2017 HK$ | Fair values 2017 HK$ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative financial instruments | 2,446 | 2,446 | 226,052 | 226,052 |
| **Financial liabilities** | | | | |
| Derivative financial instruments | 55,182 | 55,182 | 384,332 | 384,332 |

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of trade receivables, deposits and other receivables, amounts due from the immediate holding company, fellow subsidiaries and a subsidiary, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and amounts due to an intermediate holding company, a fellow subsidiary and a subsidiary approximated to their carrying amounts largely due to the short term maturities of these instruments.

Management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions.

The Company enters into derivative financial instruments with financial institutions with high credit ratings. Derivative financial instruments, representing forward currency contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

As at 31 March 2018, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$ | Significant observable inputs (Level 2) HK$ | Significant unobservable inputs (Level 3) HK$ | Total HK$ |
| *Assets measured at fair value:* | | | | |
| At 31 March 2018 | | | | |
| Derivative financial instruments | - | 2,446 | - | 2,446 |
| At 31 March 2017 | | | | |
| Derivative financial instruments | - | 226,052 | - | 226,052 |
| *Liabilities measured at fair value:* | | | | |
| At 31 March 2018 | | | | |
| Derivative financial instruments | - | 55,182 | - | 55,182 |
| At 31 March 2017 | | | | |
| Derivative financial instruments | - | 384,332 | - | 384,332 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

*Interest rate risk*

The Company's interest rate risk arises from cash and cash equivalents and bank borrowings which bears interest at variable rates.

The following table demonstrates the sensitivity to a reasonably possible change in HK$ interest rate, with all other variables held constant, of the Company's profit before tax (through the impact on cash and bank balances and floating rate borrowings). There is no impact on the Company's equity except on the retained profits.

| | Increase/ (decrease) in basis points % | Increase/ (decrease) in profit before tax HK$ |
|---|---|---|
| 2018 | | |
| HK$ | 50 | ( 196,441) |
| HK$ | ( 50) | 196,441 |

| | Increase/ (decrease) in basis points % | Increase/ (decrease) in loss before tax HK$ |
|---|---|---|
| 2017 | | |
| HK$ | 50 | ( 213,299) |
| HK$ | ( 50) | 213,299 |

*Foreign currency risk*

The Company has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Company's functional currency. Approximately 0.3% (2017: 22%) of the Company's sales are denominated in GBP. The Company uses forward currency contracts to eliminate the foreign currency exposures on its sales transactions, for which the corresponding settlements are anticipated to take place more than one month after the Company has entered into firm commitments for the sales. The forward currency contracts must be in the same currency as that of the hedged items. The Company negotiates the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness. It is the Company's policy that a forward contract is not entered into until a firm commitment is in place.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Foreign currency risk* (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the GBP exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity except on the retained profits.

| | Change in the exchange rate % | Increase/ (decrease) in profit before tax HK$ |
|---|---|---|
| 31 March 2018 | | |
| If HK$ weakens against GBP | 10 | 15,895 |
| If HK$ strengthens against GBP | ( 10) | ( 15,895) |

| | Change in the exchange rate % | Increase/ (decrease) in loss before tax HK$ |
|---|---|---|
| 31 March 2017 | | |
| If HK$ weakens against GBP | 10 | 757,722 |
| If HK$ strengthens against GBP | ( 10) | ( 757,722) |

*Credit risk*

The Company trades on credit terms only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

The credit risk of the Company's other financial assets, which comprise deposits and other receivables, amounts due from group companies and bank balances, arises from default of the counterparties with a maximum exposure equal to the carrying amount of these instruments.

Since the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Company had certain concentrations of credit risk as 35% (2017: 28%) and 79% (2017: 52%) of the Company's trade receivables were due from the Company's largest single customer and three largest customers, respectively.

Further quantitative data in respect of the Company's exposure to credit risk arising from trade receivables are disclosed in note 13 to the financial statements.

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk*

In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable on demand or are repayable within one year subsequent to the end of the reporting period.

*Capital management*

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its businesses and maximise shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to its shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

## 26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2018.

# POETICGEM INTERNATIONAL LIMITED

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

**LOUIS LAI & LUK CPA LIMITED**
**CERTIFIED PUBLIC ACCOUNTANTS**

# POETICGEM INTERNATIONAL LIMITED

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# POETICGEM INTERNATIONAL LIMITED

## REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited financial statements of the Company for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The principal activity of the Company is trading of garment.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of profit or loss and comprehensive income on page 7.

The directors do not recommend the payment of any dividend for the year. (2017: Interim dividend at HK$ 389 per share totalling HK$ 3,890,000 had been declared by the directors and paid out of the retained earnings.)

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (15) to the financial statements. There were no movements during the year.

There were no movements in reserves except for changes to accumulated losses which arose from profit or loss and payment of dividends.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (11) to the financial statements.

### DIRECTORS

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

Pallak SETH
Omprakash MAKAM SURYANARAYAN SETTY
Deepak Kumar SETH
Ajai SINGH
Anuj BANAIK

In accordance with Article 7 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transactions as disclosed in Note (21) of the financial statements, no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company 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.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company and holding company (whether made by the Company or otherwise) or an associated company (if made by the Company).

## BUSINESS REVIEW

The Company falls within reporting exemption for the financial year. Accordingly, the Company is exempted from preparing a business review.

## AUDITORS

The Company's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Pallak SETH
Chairman

Hong Kong, May 24, 2018.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
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瑞信集團大廈九樓

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POETICGEM INTERNATIONAL LIMITED

**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the financial statements of Poeticgem International Limited ("the Company") set out on pages 7 to 27, which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating to the Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2d) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the fellow subsidiaries and ultimate holding company and the attaining of profitable and positive cash flow operations, and the Company may turn to a commercially viable concern. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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瑞信集團大廈九樓



**Information Other than the Financial Statements and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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瑞信集團大廈九樓



**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**LOUIS LAI & LUK CPA LIMITED** CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
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**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, 24 MAY 2018

# POETICGEM INTERNATIONAL LIMITED

## STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 490,801,003 | 428,574,508 |
| COST OF SALES | | (405,453,790) | (348,411,131) |
| GROSS PROFIT | | 85,347,213 | 80,163,377 |
| OTHER INCOME AND GAINS | (6) | 406,252 | 2,975,707 |
| STAFF COSTS | | ( 11,933,460) | ( 10,063,896) |
| DEPRECIATION | | ( 419,805) | ( 225,503) |
| OTHER OPERATING EXPENSES | | ( 75,194,062) | ( 69,350,879) |
| (LOSS)/PROFIT FROM OPERATION | | ( 1,793,862) | 3,498,806 |
| FINANCE COSTS | (7) | ( 2,266,253) | ( 528,795) |
| (LOSS)/PROFIT BEFORE TAXATION | (8) | ( 4,060,115) | 2,970,011 |
| TAXATION | (10) | - | - |
| (LOSS)/PROFIT FOR THE YEAR | | ( 4,060,115) | 2,970,011 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | | ( 4,060,115) | 2,970,011 |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# POETICGEM INTERNATIONAL LIMITED

## STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | (11) | 1,525,055 | 827,503 |
| Current Assets | | | |
| Deposits and prepayment | | 301,675 | 287,584 |
| Amounts due from a shareholder | (13) | 44,082 | - |
| Amounts due from fellow subsidiaries | (9ii) | 28,633,429 | 4,499,271 |
| Trade and other receivables | (12) | 116,583,558 | 95,651,727 |
| Cash and cash equivalents | | 1,326,145 | 3,321,040 |
| | | 146,888,889 | 98,700,831 |
| Current Liabilities | | | |
| Amount due to a fellow subsidiary | (13) | 51,988,947 | 38,820,635 |
| Amount due to ultimate holding company | (13) | 571,145 | 495,586 |
| Trade and other payables | (14) | 64,759,176 | 61,889,237 |
| Secured bank borrowings | (15) | 36,572,608 | 5,058,791 |
| | | 153,891,876 | 106,264,249 |
| Net Current Liabilities | | ( 7,002,987) | ( 2,504,627) |
| NET LIABILITIES | | ( 5,477,932) | ( 1,677,124) |
| DEFICIT | | | |
| Share capital | (16) | 337,107 | 77,800 |
| Accumulated losses | | ( 5,815,039) | ( 1,754,924) |
| TOTAL DEFICIT | | ( 5,477,932) | ( 1,677,124) |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 24, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Pallak SETH
Director

Deepak Kumar SETH
Director

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# POETICGEM INTERNATIONAL LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Note | Share Capital | Accumulated Losses | Total |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$ |
| At April 1, 2016 | | 77,800 | ( 834,935) | ( 757,135) |
| Profit for the year and total comprehensive income for the year | | - | 2,970,011 | 2,970,011 |
| Dividend | (16) | - | (3,890,000) | (3,890,000) |
| At March 31, 2017 and April 1, 2017 | | 77,800 | (1,754,924) | (1,677,124) |
| Loss for the year and total comprehensive loss for the year | | - | (4,060,115) | (4,060,115) |
| Allotment of shares | | 259,307 | - | 259,307 |
| At March 31, 2018 | | 337,107 | (5,815,039) | (5,477,932) |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# POETICGEM INTERNATIONAL LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| (Loss)/Profit before taxation | ( 4,060,115) | 2,970,011 |
| Adjustments for: | | |
| Bank interest income | ( 41) | ( 45) |
| Depreciation | 419,805 | 225,503 |
| **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | ( 3,640,351) | 3,195,469 |
| Increase in deposits and prepayment | ( 14,091) | ( 202,710) |
| Increase in amount due from a shareholder | ( 44,082) | - |
| Increase in amount due from fellow subsidiaries | (24,134,158) | (3,200,566) |
| Increase in trade and other receivables | (20,931,831) | (5,562,373) |
| Increase in amount due to a fellow subsidiary | 13,168,312 | 8,350,052 |
| Increase in amount due to ultimate holding company | 75,559 | 495,586 |
| Increase/(Decrease) in trade and other payables | 2,869,939 | (1,824,104) |
| **CASH GENERATED FROM OPERATIONS** | (32,650,703) | 1,251,354 |
| Bank interest received | 41 | 45 |
| Net cash (used in)/generated from operating activities | (32,650,662) | 1,251,399 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Payments to purchase plant and equipment and net cash used in investing activities | ( 1,117,357) | ( 534,517) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Dividend paid | - | (3,890,000) |
| Proceeds from issuance of share capital | 259,307 | - |
| Proceeds from bank borrowings | 31,513,817 | 5,058,791 |
| Net cash generated from financing activities | 31,773,124 | 1,168,791 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | ( 1,994,895) | 1,885,673 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 3,321,040 | 1,435,367 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 1,326,145 | 3,321,040 |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# POETICGEM INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Poeticgem International Limited is a company incorporated in Hong Kong with limited liability. Its principal activity is trading of garment. The address of its registered office is 10/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon. The directors consider that the immediate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius. The ultimate holding company was incorporated in India and its shares are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no material impact on the Company's financial statements for the year ended March 31, 2018.

c. Issued but not yet Effective Hong Kong Financial Reporting Standards

The Company has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended March 31, 2018, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

d. Going Concern

The ultimate holding company and fellow subsidiary have confirmed their willingness to provide such financial assistance as is necessary to maintain the Company as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

| | |
|---|---|
| Computer equipment | 4 years |
| Furniture and fixture | 4 years |
| Office equipment | 3 years |
| Leasehold improvement | 4 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the statement of comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the financial statements and any resulting gain or loss is included in the statement of profit or loss and comprehensive income.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

g. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

h. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of profit or loss and comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

j. Financial Liabilities

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's financial liabilities comprise trade and other payables and amount due to a fellow which are subsequently measured at amortized cost, using the effective interest method.

k. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

m. Translation of Foreign Currency

(i) 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 entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss and comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the statement of profit or loss and comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable loss will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax loss nor the accounting loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and comprehensive income.

o. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

p. Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when the goods are delivered to buyer.
- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Other income is recognised on a receipt basis.

q. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

r. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Company's policy for borrowing cost as stated in the preceding note.

s. Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the statement of profit or loss and comprehensive income on a straight-line basis over the term of the relevant lease.

t. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Company in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the statement of profit or loss and comprehensive income.

No provision on employee entitlements to annual leave is provided in the consolidated financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

u. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

v. Related Parties

A related party is a person or entity that is related to the Company.

(A) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Company or a parent of the Company.

(B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

w. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

(i) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Company's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(i) Financial instruments by category

The financial assets of the Company comprise trade and other receivables, deposits and prepayment, amounts due from a shareholder and fellow subsidiaries, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the consolidated and company statements of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise trade and other payables, and amounts due to a fellow subsidiary and ultimate holding company which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

(ii) Financial risk management

The Company's financial risks are limited by the financial management policies and practices described below.

(a) Credit risk

The Company has no significant concentrations of credit risk because the creditworthiness of each of the Company's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Company is adequately protected from the credit risk.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. As the fellow subsidiary and shareholder have confirmed the willingness to provide continuous financial support to the Company, the directors are of the opinion that the Company is adequately protected from the liquidity risk.

(c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

6. REVENUE, OTHER INCOME AND GAINS

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Revenue, other income and gains recognised during the year are as follows: | | |
| Revenue: | | |
| Sales of goods | 490,801,003 | 428,574,508 |
| Other income and gains: | | |
| Bank interest income | 41 | 45 |
| Sundry income | 120,926 | 6,652 |
| Recharge income | - | 1,993,759 |
| Penalty | - | 285,240 |
| Exchange gain, net | 285,285 | 690,011 |
| | 406,252 | 2,975,707 |
| Total revenue recognised | 491,207,255 | 431,550,215 |

7. FINANCE COST

| | | |
|---|---|---|
| Bank overdraft interest | 2,266,253 | 528,795 |

8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is stated after charging/(crediting):

| | | |
|---|---|---|
| Auditor's remuneration | 32,320 | 40,270 |
| Depreciation | 419,805 | 225,503 |
| Exchange gain, net | ( 285,285) | ( 690,011) |
| Rental payment under operating leases | 786,785 | 644,520 |
| Staff costs | | |
| - Staff salaries | 11,847,308 | 10,019,512 |
| - Staff welfare | 86,152 | 44,384 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | - | - |
| | - | - |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

| Name of borrower | Relationship | Outstanding principal | | |
|---|---|---|---|---|
| | | At beginning of year | At end of year | Maximum outstanding |
| | | HK$ | HK$ | HK$ |
| Nor India Manufacturing Co., Ltd. [1] | Fellow subsidiary | 545 | - | 545 |
| PDS Asia Star Corporation Ltd. [1] | Fellow subsidiary | 284,182 | 290,532 | 290,532 |
| Techno Design HK Limited [1] | Fellow subsidiary | 2,055,486 | 2,358,977 | 2,358,977 |
| Poetic Brands UK Limited [1] | Fellow subsidiary | 750,098 | 1,649,003 | 1,649,003 |
| Nor Europe Manufacturing Ltd. [1] | Fellow subsidiary | 1,408,960 | 1,799,830 | 1,799,830 |
| Blueprint Design Limited [1] | Fellow subsidiary | - | 243,129 | 243,129 |
| Norwest Industries Limited [1] | Fellow subsidiary | - | 22,265,020 | 22,265,020 |
| Clover Collections Limited [1] | Fellow subsidiary | - | 26,938 | 26,938 |
| | | 4,499,271 | 28,633,429 | |

Principal terms: The loans, quasi-loans and credit transactions are interest free, unsecured and have no fixed repayment terms.

[1] Fellow subsidiaries, which connected with Pallak SETH and Deepak Kumar SETH

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director.

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(iii) Material interests of directors (including shadow directors) of the Company disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

10. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the income of the Company neither arises in nor is derived from Hong Kong.

No deferred tax has been recognised in the financial statements on the grounds that the Company has no taxable/deductible temporary differences during the current year.

11. PLANT AND EQUIPMENT

| | Computer equipment | Furniture and fixture | Leasehold improvement | Office equipment | Total |
|---|---|---|---|---|---|
| Cost | HK$ | HK$ | HK$ | HK$ | HK$ |
| At 1/4/2016 | 12,377 | 136,403 | 337,874 | 136,930 | 623,584 |
| Additions | 177,683 | 52,006 | 280,511 | 24,317 | 534,517 |
| At 31/3/2017 | 190,060 | 188,409 | 618,385 | 161,247 | 1,158,101 |
| Additions | 592,678 | 96,433 | 52,032 | 376,214 | 1,117,357 |
| At 31/3/2018 | 782,738 | 284,842 | 670,417 | 537,461 | 2,275,458 |
| Accumulated Depreciation | | | | | |
| At 1/4/2016 | 1,719 | 8,525 | 56,018 | 38,833 | 105,095 |
| Charge for the year | 23,270 | 38,700 | 119,978 | 43,555 | 225,503 |
| At 31/3/2017 | 24,989 | 47,225 | 175,996 | 82,388 | 330,598 |
| Charge for the year | 116,965 | 59,254 | 156,893 | 86,693 | 419,805 |
| At 31/3/2018 | 141,954 | 106,479 | 332,889 | 169,081 | 750,403 |
| Net Carrying Amount | | | | | |
| At 31/3/2018 | 640,784 | 178,363 | 337,528 | 368,380 | 1,525,055 |
| At 31/3/2017 | 165,071 | 102,775 | 480,798 | 78,859 | 827,503 |

12. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade receivables (Note (i)) | 113,899,110 | 94,220,499 |
| Other receivables | 79,820 | 132,648 |
| Advance to vendors | 2,604,628 | 1,298,580 |
| | 116,583,558 | 95,651,727 |

(i) Aging analysis of trade receivables is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 113,899,110 | 94,220,499 |

Trade receivables are due within 90 days from date of billing.

13 AMOUNT DUE FROM/(TO) A FELLOW SUBSIDIARY/ULTIMATE HOLDING COMPANY / A SHAREHOLDER

The amount due from/(to) a fellow subsidiary and ultimate holding company and a shareholder are unsecured, interest-free and have no fixed terms of repayment. The fellow subsidiary and ultimate holding company had agreed not to demand repayment of the amount due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

14. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade payables (Note (i)) | 63,547,889 | 61,444,932 |
| Accruals | 24,240 | 16,160 |
| Other payables | 1,187,047 | 428,145 |
| | 64,759,176 | 61,889,237 |

(i) Maturity of the trade payables is as follows:

| | | |
|---|---|---|
| Due for payment: | | |
| Not later than one year | 63,547,889 | 61,444,932 |

15. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Amount repayable within one year: | | |
| Clean import loans | 26,934,306 | - |
| Trust receipt loans | 9,638,302 | 5,058,791 |
| | 36,572,608 | 5,058,791 |

16. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Ordinary shares, issued and fully paid: | | | | |
| At March 31 | 10,100 | 77,800 | 10,000 | 77,800 |

On December 1, 2016, the Company's issued share capital was increased by allotment of 100 ordinary shares of US$33,330 for cash marking a total issued capital of US$33,330.

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

17. DIVIDEND

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Interim dividend at HK$Nil (2017: Interim dividend HK$ 389) per share | - | 3,890,000 |

18. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Company had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Within one year | 1,150,593 | 172,058 |
| In the second to fifth years inclusive | 2,023,504 | - |
| | 3,174,097 | 172,058 |

Operating lease payments represent rental payments payable by the Company for its leased premises. Leases are negotiated for an averaged term one year.

19. CONTINGENT LIABILITIES

(a) The Company had the following contingent liabilities not provided for in the financial statements at the end of reporting period:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Irrevocable letters of credit | 27,122,238 | 37,803,720 |

(b) At the end of reporting period, there were mutual guarantees between the Company and its fellow subsidiary.

20. CURRENCY RISK

(i) Exposure to currency risk

The following table details the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Company to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HK$) 2018 | | | | |
|---|---|---|---|---|---|
| | USD | EUR | GBP | BDT | Total |
| Trade and other receivables | 113,460,318 | - | - | 79,820 | 113,540,138 |
| Bank and cash balances | 475,974 | 703,454 | 138,414 | 14,248 | 1,332,090 |
| Trade and other payables | ( 63,469,501) | - | - | ( 122,270) | ( 63,591,771) |
| Net exposure arising from recognised assets and liabilities | 50,466,791 | 703,454 | 138,414 | ( 28,202) | 51,280,457 |

| | (Expressed in HK$) 2017 | | | | |
|---|---|---|---|---|---|
| | USD | EUR | GBP | BDT | Total |
| Trade and other receivables | 99,966,711 | - | - | 132,648 | 100,099,359 |
| Bank and cash balances | 2,899,921 | 142,700 | 131,733 | 137,460 | 3,311,814 |
| Trade and other payables | (70,131,925) | (200,076) | (619,355) | ( 81,315) | ( 71,032,671) |
| Net exposure arising from recognised assets and liabilities | 32,734,707 | ( 57,376) | (487,622) | 188,793 | 32,378,502 |

20. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Company's profit/loss after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Company has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| Euro Dollars (EUR) | 58,738 | (58,738) | ( 4,791) | 4,791 |
| British Pound (GBP) | 11,558 | (11,558) | (40,716) | 40,716 |
| Bangladeshi Taka (BDT) | ( 2,355) | 2,355 | 15,764 | (15,764) |
| | 67,941 | (67,941) | (29,671) | 29,671 |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Company's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

21. INTEREST RATE RISK

| Financial liabilities bearing variable interests: | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Clean import loans | 26,934,306 | - |
| Trust receipts loans | 9,638,302 | 5,058,791 |
| | 36,572,608 | 5,058,791 |

Should market interest rate on March 31 increase by 10%, the profit or loss for the year would be reduced by a net amount of HK$189,232 (2017: HK$44,154). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

22. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

| Name | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| PDS Asia Star Corporation Ltd., Hong Kong | Fellow subsidiary | - Recharge income | - | 52,937 |
| Poeticgem Ltd., UK | Fellow subsidiary | - Marketing fee | 44,423,250 | 48,322,300 |
| | | - Recharge income | 171,301 | 2,830,557 |
| Norwest Industries Ltd., Hong Kong | Fellow subsidiary | - Recharge expense | 570,696 | 1,080,010 |
| | | - Marketing fee | 281,504 | - |
| Techno Design HK Limited | Fellow subsidiary | - Recharge income | 132,289 | 998,273 |
| Poetic brands UK limited | Fellow subsidiary | - Marketing fee | 4,204,813 | - |
| | | - Recharge income | 133,332 | - |
| Nor India Manufacturing Co., Limited | Fellow subsidiary | - Recharge income | - | 30,599 |
| Global Textiles Group Ltd. | Fellow subsidiary | - Consultancy fees | 1,676,473 | - |
| Grupo Sourcing Ltd. | Fellow subsidiary | - Commission fee | | 153,318 |
| | | - Purchases | 1,074,526 | 3,832,947 |
| Zamira Fashion Limited | Fellow subsidiary | - Marketing fee | 4,462,525 | - |
| | | - Recharge income | 6,991,225 | - |
| Norlanka Manufacturing Ltd., Hong Kong | Fellow subsidiary | - Commission fee | - | 8,107,577 |
| | | - Purchases | 545,858 | - |
| Multinational Textile Group Ltd. | Immediate holding company | - Consultancy fees | 454,445 | - |
| | | - Computer expenses | 233,400 | - |

23. BANKING FACILITIES

General banking facilities granted by a bank were secured by the fellow subsidiaries' cash deposit, immediate holding company's corporate guarantee and directors' personal guarantee.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 24, 2018.

# POETICGEM INTERNATIONAL LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 490,801,003 | 428,574,508 |
| COST OF SALES | | |
| Purchases | 405,453,790 | 348,411,131 |
| GROSS PROFIT | 85,347,213 | 80,163,377 |
| OTHER INCOME | | |
| Bank interest income | 41 | 45 |
| Sundry income | 120,926 | 6,652 |
| Recharge income | - | 1,993,759 |
| Penalty on supplies | - | 285,240 |
| Exchange gain, net | 285,285 | 690,011 |
| | 85,753,465 | 83,139,084 |
| OPERATING EXPENSES (SCH II) | ( 89,813,580) | ( 80,169,073) |
| (LOSS)/PROFIT BEFORE TAXATION | ( 4,060,115) | 2,970,011 |

# POETICGEM INTERNATIONAL LIMITED
## DETAILED INCOME STATEMENT (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH II**

| | 2018 | 2017 |
|---|---|---|
| OPERATING EXPENSES | HK$ | HK$ |
| Depreciation Expenses | | |
| Depreciation | 419,805 | 225,503 |
| Finance Costs | | |
| Bank overdraft interest | 2,266,253 | 528,795 |
| Staff Costs | | |
| Staff salaries | 11,847,308 | 10,019,512 |
| Staff welfare | 86,152 | 44,384 |
| | 11,933,460 | 10,063,896 |
| Other Operating Expenses | | |
| Agent commission | 12,525 | 6,664 |
| Auditor's remuneration | 32,320 | 40,270 |
| Bank charges | 464,241 | 563,233 |
| Business registration fee | - | 250 |
| Car parking change | 8,326 | 7,132 |
| Cleaning expenses | 108,895 | 81,130 |
| Club and membership fees | - | 6,649 |
| Commission | - | 8,240,452 |
| Communication expense | 1,447 | 75 |
| Computer expenses | 233,400 | - |
| Consultancy fees | 929,972 | 279,292 |
| Corporate charges | 627,885 | 495,586 |
| Courier expenses | 2,138,943 | 2,185,538 |
| Design Consultancy fee | - | 193,980 |
| Design expenses | 453,574 | 458,902 |
| Entertainment | 336,219 | 219,523 |
| Factory audit charge | 16,363 | - |
| Freight charge | - | 882,268 |
| Inspection fees | - | 6,730 |
| Insurance | 130,054 | 289,597 |
| Internet charge | 17,978 | 524 |
| Legal and professional fee | 53,595 | 81,246 |
| License fees | - | 24,809 |
| Marketing consultancy fee | 338,430 | 1,532,660 |
| Marketing fee paid | 54,256,326 | 48,322,300 |
| Mobile phones expenses | 112,000 | 117,730 |
| Penalty on suppliers | 480,893 | - |
| Printing and stationery | 244,895 | 126,102 |
| Rates | 124,515 | 87,666 |
| Recharge expenses | 935,449 | 7,469 |
| Recruitment expense | 233,908 | 157,875 |
| Rent | 786,785 | 644,520 |
| Repair and maintenance | 161,693 | 66,699 |
| Repatriation expenses | - | 3,958 |
| Sample expenses | 8,231,994 | 585,624 |
| Security charges | 100,341 | 97,005 |
| Sundry expenses | 241,408 | 230,129 |
| Telephone expenses | 174,714 | 156,653 |
| Testing charges | 7,330 | 32,594 |
| Travelling expense | 2,482,571 | 2,472,085 |
| Utilities | 333,467 | 340,452 |
| Vehicle fuel | 265,929 | 195,012 |
| Visa expenses | 115,677 | 110,496 |
| | 75,194,062 | 69,350,879 |
| | 89,813,580 | 80,169,073 |

File No. 22/62099506

# POETICGEM INTERNATIONAL LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

SCH 1

| | HK$ |
|---|---|
| Basis period: 1/4/2017 - 31/3/2018 | |
| Loss per audited financial statements | 4,060,115 |

## STATEMENT OF LOSS

| | |
|---|---|
| Loss brought forward | 5,647,791 |

The Company conducts its business outside of Hong Kong. It is our view that the operations for which the profits of the Company accrues were conducted outside of Hong Kong and its profits were therefore not chargeable to tax under Section 14 of the Inland Revenue Ordinance.

# POETICGEM INTERNATIONAL LIMITED

## AUDIT ADJUSTMENTS

## FOR THE YEAR ENDED MARCH 31, 2018

| | A/C code | | Dr. | Cr. | Effect on Statement of Comprehensive Income |
|---|---|---|---|---|---|
| | | | HK$ | HK$ | HK$ |
| 1. | | Leasehold improvement | 618,385.68 | | |
| | 20050600 | Acc Dep Furniture & Fixtures | 137,586.94 | | |
| | 20000600 | Furniture & Fixtures | | 618,385.68 | |
| | | Acc Dep Leasehold improvement | | 137,586.94 | |
| | | Being opening adjustment for the year | | | |
| 2. | | Leasehold improvement | 52,031.80 | | |
| | 20050600 | Acc Dep Furniture & Fixtures | 195,301.74 | | |
| | | Depreciation Leasehold improvement | 156,892.80 | | |
| | 20000600 | Furniture & Fixtures | | 52,031.80 | |
| | | Acc Dep Leasehold improvement | | 195,301.74 | |
| | 57000300 | Depreciation Furniture & Fixtures | | 156,892.80 | |
| | | Being reallocation of accounts | | | |
| 3. | | Payable-Group (Contra) | 23,926,663.73 | | |
| | | Norwest Industries Limited | 22,265,020.30 | | |
| | | PDS Asia Star Corporation Limited | 290,531.50 | | |
| | | Techno (HK) Limited | 2,358,976.68 | | |
| | | Nor Europe Manufacturing Co Ltd | 1,799,830.31 | | |
| | | Poetic Brands Limited | 1,649,003.09 | | |
| | | D&S Limited | 26,937.71 | | |
| | | Blueprint Design Limited | 243,128.68 | | |
| | | Poeticgem Limited (UK) | | 21,784,846.96 | |
| | | Nor India Manufacturing co., Ltd | | 6,350.10 | |
| | | Nor Lanka Mfg. Colombo Ltd. | | 7,812,535.96 | |
| | | Zamira Fashion Limited | | 13,734,695.89 | |
| | | NORLANKA MFG.LTD.,HK | | 8,650,517.73 | |
| | | Multinational Textile Group Limited | | 571,145.36 | |
| | | Being reallocation of accounts | | | |

# POETICGEM INTERNATIONAL LIMITED

## AUDIT ADJUSTMENTS

## FOR THE YEAR ENDED MARCH 31, 2018

| | A/C code | | Dr. | Cr. | Effect on Statement of Comprehensive Income |
|---|---|---|---|---|---|
| | | | HK$ | HK$ | HK$ |
| 4. | 12502300 | HSBC I Factoring USD A/C | 3,254,773.72 | | |
| | 24000000 | Trade receivables | | 3,254,773.72 | |
| | Being reallocation of accounts | | | | |
| 5. | 15000000 | Trade payable | 43,882.37 | | |
| | 25502400 | HSBC USD S/A | | 43,882.37 | |
| | Being reallocation of accounts | | | | |
| | Total effect on Statement of Comprehensive Income | | | | - |
| | Retained profits per client's financial statements | | | | (5,815,039.02) |
| | Retained profits per audited financial statements | | | | (5,815,039.02) |

Approved by:
Poeticgem International Limited

Director

# PDS ASIA STAR CORPORATION LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

# PDS ASIA STAR CORPORATION LIMITED

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# PDS ASIA STAR CORPORATION LIMITED

## DIRECTORS' CONSOLIDATED REPORT

The directors present their consolidated report and the annual audited consolidated financial statements of the group for the year ended March 31, 2018.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are garment trading and investment holding. The principal activity and other particulars of the subsidiary are set out in the Note (18) to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiary (the "Group") for the year ended March 31, 2018 are set out in the statements of comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (17) to the financial statements.

There were no movements in reserves except for changes to retained earnings which arose from profit or loss.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (12) to the financial statements.

### DIRECTORS

(a) Directors of the Company

The directors of the Group during the year and at the date of this report were:

Deepak Kumar SETH
FENG Qing
Pallak SETH

In accordance with Article 7 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiary

During the year and up to date of this report, FENG Qing is also the director of the subsidiary of the Company.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transactions as disclosed in Note (22) to the finance statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Group and holding company (whether made by the Group or otherwise) or an associated company (if made by the Group).

## BUSINESS REVIEW

The Group is a wholly owned subsidiary of another body corporate. Accordingly, the Group is exempted from preparing a business review.

## AUDITORS

The Group's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and, being eligible, offer themselves for re-appointment.

By Order of the Board



Deepak Kumar SETH
Chairman

Hong Kong, May 18, 2018.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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柯士甸道140至142號
瑞信集團大廈九樓

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PDS ASIA STAR CORPORATION LIMITED

**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the consolidated financial statements of PDS Asia Star Corporation Limited ("the Company") and its subsidiary ("the Group") set out on pages 7 to 33, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating to The Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2d) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the immediate holding company and the attaining of profitable and positive cash flow operations, and the Group may turn to a commercially viable concern. The consolidated financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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柯士甸道140至142號
瑞信集團大廈九樓



**Information Other than the Financial Statements and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those charged with Governance for the Consolidated Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
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柯士甸道140至142號
瑞信集團大廈九樓



**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, 18 MAY 2018

# PDS ASIA STAR CORPORATION LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 397,843,657 | 364,480,071 |
| COST OF GOODS SOLD | | (364,842,340) | (335,505,204) |
| GROSS PROFIT | | 33,001,317 | 28,974,867 |
| OTHER INCOME AND GAINS | (6) | 7,971,972 | 8,528,770 |
| STAFF COSTS | | ( 26,431,279) | ( 18,678,733) |
| DEPRECIATION | | ( 391,883) | ( 635,468) |
| OTHER OPERATING EXPENSES | | ( 10,482,917) | ( 13,125,947) |
| PROFIT FROM OPERATIONS | | 3,667,210 | 5,063,489 |
| FINANCE COST | (7) | ( 2,112,727) | ( 2,302,401) |
| PROFIT BEFORE TAXATION | (8) | 1,554,483 | 2,761,088 |
| TAXATION | (10) | - | - |
| PROFIT FOR THE YEAR | | 1,554,483 | 2,761,088 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | | |
| Item that may be reclassified to profit or loss: | | | |
| - Exchange difference on translating of foreign operations | | 241,992 | ( 131,115) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,796,475 | 2,629,973 |

THE NOTES ON PAGES 11 TO 33 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# PDS ASIA STAR CORPORATION LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | (12) | 603,330 | 431,602 |
| Current Assets | | | |
| Deposits and prepayment | | 499,816 | 412,177 |
| Trade and other receivables | (13) | 55,264,198 | 41,688,162 |
| Amounts due from fellow subsidiaries | (9(ii)) | 42,880,820 | 14,108,493 |
| Cash and cash equivalent | | 9,172,022 | 9,523,836 |
| | | 107,816,856 | 65,732,668 |
| Current Liabilities | | | |
| Amounts due to fellow subsidiaries | (14) | 49,779,127 | 34,195,600 |
| Amount due to immediate holding company | (14) | 6,680,103 | 6,457,400 |
| Trade and other payables | (15) | 32,232,497 | 19,284,346 |
| Secured bank borrowings | (16) | 30,038,481 | 18,333,421 |
| | | 118,730,208 | 78,270,767 |
| Net Current Liabilities | | ( 10,913,352) | (12,538,099) |
| NET LIABILITIES | | ( 10,310,022) | (12,106,497) |
| DEFICIT | | | |
| Share capital | (17) | 2,334,000 | 2,334,000 |
| Translation reserve | | ( 520,012) | ( 762,004) |
| Accumulated losses | | ( 12,124,010) | (13,678,493) |
| TOTAL DEFICIT | | ( 10,310,022) | (12,106,497) |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

FENG Qing
Director

THE NOTES ON PAGES 11 TO 33 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# PDS ASIA STAR CORPORATION LIMITED

## CONSOLIATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Translation Reserve | Accumulated Losses | Total |
|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ |
| At April 1, 2016 | 2,334,000 | (630,889) | (16,439,581) | (14,736,470) |
| Profit for the year and total comprehensive income for the year | - | (131,115) | 2,761,088 | 2,629,973 |
| At March 31, 2017 and April 1, 2017 | 2,334,000 | (762,004) | (13,678,493) | (12,106,497) |
| Profit for the year and total comprehensive income for the year | - | 241,992 | 1,554,483 | 1,796,475 |
| At March 31, 2018 | 2,334,000 | (520,012) | (12,124,010) | (10,310,022) |

THE NOTES ON PAGES 11 TO 33 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# PDS ASIA STAR CORPORATION LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 1,554,483 | 2,761,088 |
| Adjustments for: | | |
| Depreciation | 391,883 | 635,468 |
| Bank interest income | ( 2,931) | ( 2,257) |
| Interest expenses | 2,112,727 | 2,302,401 |
| **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | 4,056,162 | 5,696,700 |
| Increase in deposits and prepayment | ( 87,639) | ( 108,339) |
| Increase in trade and other receivables | (13,576,036) | 24,520,429 |
| Net receipts from fellow subsidiaries | (13,188,800) | 1,709,898 |
| Net receipt from immediate holding company | 222,703 | 75,365 |
| Increase/(Decrease) in trade and other payables | 12,948,151 | ( 3,806,871) |
| Net cash (used in)/generated from operations | ( 9,625,459) | 28,087,182 |
| Bank interest received | 2,931 | 2,257 |
| Bank interest paid | ( 2,112,727) | ( 2,302,401) |
| Net cash (used in)/generated from operating activities | (11,735,255) | 25,787,038 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payment to acquire plant and equipment and net cash used in investing activities | ( 562,786) | ( 122,352) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net receipts of secured bank borrowings and net cash generated from/(used in) financing activities | 11,705,060 | (17,032,401) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | ( 592,981) | 8,632,285 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 9,523,836 | 1,007,147 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | 241,167 | ( 115,596) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 9,172,022 | 9,523,836 |

THE NOTES ON PAGES 11 TO 33 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# PDS ASIA STAR CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

PDS Asia Star Corporation Limited is a company incorporated in Hong Kong with limited liability. Its principal activities are garment trading and investment holding. The Company's registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the immediate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius. The ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India and its shares are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Group, and accordingly, they have had no material impact on the Group's financial statements for the year ended March 31, 2018.

c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied any new and revised HKFRSs that have been issued but are not year effective for the accounting year ended March 31, 2018, in these consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

d. immediate

The holding company has confirmed the willingness to provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's statements of financial position the interest in a subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

| | |
|---|---|
| Computer equipment | 33% |
| Furniture and fixtures | 25% - 33% |
| Leasehold improvement | 33% |
| Motor vehicle | 33% |
| Office equipment | 33% |
| Software | 33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the consolidated financial statements and any resulting gain or loss is included in the consolidated statement of comprehensive income.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial Assets

Financial assets of the Group are only classified under loans and receivables category.

j. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

k. Financial Liabilities

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities comprise trade and other payables and amounts due to fellow subsidiaries and immediate holding company, and bank borrowing which are subsequently measured at amortized cost, using the effective interest method.

l. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 consolidated statement of comprehensive income.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income.

The Group is engaged in garment trading and conducts its business outside of Hong Kong. As the income of the Group neither arises in nor is derived from Hong Kong, no Hong Kong profits tax has been provided in these financial statements.

p. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when goods are delivered to buyers.
- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Commission income is recognised when the services are rendered.
- Other income is recognised on a receipt basis.

r. Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Group is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit cost arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contribution payable to the funds by the Group in accordance with the rules of the MPF Scheme.

s. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the consolidated statement of comprehensive income.

No provision on employee entitlements to annual leave is provided in the financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

t. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

u. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Group's policy for borrowing cost as stated in the preceding note.

v. Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

w. Related Parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or a parent of the Group.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

x. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(i) Financial instruments by category

The financial assets of the Group comprise trade and other receivables, deposits and prepayment, amounts due from fellow subsidiaries, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the consolidated and Company statements of financial position or in the corresponding notes to the consolidated financial statements. The financial liabilities of the Group comprise trade and other payables, and amounts due to immediate holding company and fellow subsidiaries which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statement of financial position or in the corresponding notes to the consolidated financial statements.

(ii) Financial risk management

The Group's financial risks are limited by the financial management policies and practices described below.

(a) Credit risk

The Group has no significant concentrations of credit risk because the creditworthiness of each of the Group's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Group is adequately protected from the credit risk.

(b) Liquidity risk

As the holding company and fellow subsidiaries have confirmed its willingness to provide continuous financial support to the Group, the management is of the opinion that the Group is adequately protected from the liquidity risk.

(c) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As immediate the holding company and fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal values of current assets and liabilities are assumed to approximate their fair values.

6. REVENUE, OTHER INCOME AND GAINS

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Revenue, other income and gains recognised during the year are as follow: | | |
| Revenue: | | |
| Sales of goods | 397,843,657 | 364,480,071 |
| Other income and gains, net: | | |
| Bank interest income | 2,931 | 2,257 |
| Commission income | 6,421,475 | 6,193,225 |
| Exchange gain, net | - | 438,056 |
| Marketing fee received | 405,946 | 947,961 |
| Sundry income | 1,141,620 | 947,271 |
| | 7,971,972 | 8,528,770 |
| Total revenue recognised | 405,815,629 | 373,008,841 |

7. FINANCE COST

| | | |
|---|---|---|
| Bank finance charges | 2,112,727 | 2,302,401 |

8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

| | | |
|---|---|---|
| Auditor's remuneration | 124,562 | 51,225 |
| Depreciation | 391,883 | 635,468 |
| Exchange loss/(gain), net | 1,661,695 | ( 438,056) |
| Staff costs (including directors' remuneration) | | |
| - Salaries and allowance | 18,611,212 | 13,248,488 |
| - MPF contribution | 94,715 | 98,595 |
| - Medical and social welfare contribution | 7,340,623 | 5,309,759 |
| - Staff welfare expenses | 384,729 | 21,891 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Group disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | 575,716 | 640,223 |
| Retirement benefits | - | - |
| | 575,716 | 640,223 |

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Group and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

| Name of borrower | Relationship | Outstanding principal | | |
|---|---|---|---|---|
| | | At beginning of year | At end of year | Greatest outstanding |
| | | HK$ | HK$ | HK$ |
| PoeticGem Australia Limited | Fellow subsidiary | 295,640 | 508,701 | 508,701 |
| Norwest USA Inc. | Fellow subsidiary | 58,350 | 58,350 | 58,350 |
| Techno Design HK Limited | Fellow subsidiary | 9,102,277 | 1,567,724 | 9,102,277 |
| Techno Design GMBH | Fellow subsidiary | 68,855 | - | 68,855 |
| JJ Star Industrial Limited | Fellow subsidiary | 1,665,595 | 157,256 | 1,665,595 |
| Sourcing Solutions HK Ltd | Fellow subsidiary | 676,832 | 3,717,272 | 3,717,272 |
| Blueprint Design Limited | Fellow subsidiary | - | 1,000,658 | 1,000,658 |
| Norlanka Mfg. Ltd. | Fellow subsidiary | - | 140,040 | 140,040 |
| Kleider Sourcing Hong Kong Limited | Fellow subsidiary | - | 2,707,440 | 2,707,440 |
| PDS Fareast Limited | Fellow subsidiary | - | 949 | 949 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Group and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow (Cont'd):

Loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director (Cont'd)

| Name of borrower | Relationship | Outstanding principal: At beginning of year | Outstanding principal: At end of year | Outstanding principal: Greatest outstanding |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$ |
| Grupo Sourcing Limited | Fellow subsidiary | 21,680 | - | 21,680 |
| Green Apparel Industries Limited | Fellow subsidiary | 163,380 | 31,256,066 | 31,256,066 |
| Twins Asia Limited | Fellow subsidiary | 700,200 | 933,600 | 933,600 |
| Progress Manufacturing Group Limited | Fellow subsidiary | 93,664 | 832,764 | 832,764 |
| Fareast Vogue Limited | Fellow subsidiary | 1,262,020 | - | 1,262,020 |
| | | 14,108,493 | 42,880,820 | |

(1) Connected with Deepak Kumar SETH and Pallak SETH.

Principal terms: The loans, quasi-loans and credit transactions are interest free, unsecured and have no fixed repayment terms.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director.

In the opinion of the directors, apart from the related party transactions as disclosed in Note (22), the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(iii) Material interests of directors (including shadow directors) of the Group disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, except for the related party transactions as disclosed in Note (22) to the financial statements, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

10. TAXATION

No Hong Kong profits tax has been provided in these financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

12. PLANT AND EQUIPMENT

| GROUP | Computer equipment | Furniture and fixtures | Leasehold improvement | Motor vehicle | Office equipment | Software | Total |
|---|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| Cost | | | | | | | |
| At 1/4/2016 | 421,755 | 593,914 | 240,179 | 926,717 | 375,877 | 158,264 | 2,716,706 |
| Additions | 122,352 | - | - | - | - | - | 122,352 |
| Exchange realignment | ( 28,757) | ( 33,932) | ( 13,966) | - | ( 21,857) | ( 9,203) | ( 107,715) |
| At 31/3/2017 and 1/4/2017 | 515,350 | 559,982 | 226,213 | 926,717 | 354,020 | 149,061 | 2,731,343 |
| Additions | 459,535 | 12,234 | 79,348 | - | 11,669 | - | 562,786 |
| Exchange realignment | 45,379 | 52,578 | 21,640 | - | 33,867 | 14,260 | 167,724 |
| At 31/3/2018 | 1,020,264 | 624,794 | 327,201 | 926,717 | 399,556 | 163,321 | 3,461,853 |
| Accumulated depreciation | | | | | | | |
| At 1/4/2016 | 327,684 | 404,067 | 240,154 | 437,573 | 234,397 | 112,594 | 1,756,469 |
| Charge for the year | 88,121 | 141,685 | - | 308,874 | 62,593 | 34,195 | 635,468 |
| Exchange realignment | ( 21,985) | ( 30,836) | ( 13,965) | - | ( 17,014) | ( 8,396) | ( 92,196) |
| At 31/3/2017 and 1/4/2017 | 393,820 | 514,916 | 226,189 | 746,447 | 279,976 | 138,393 | 2,299,741 |
| Charge for the year | 99,057 | 43,448 | 5,924 | 180,177 | 58,893 | 4,384 | 391,883 |
| Exchange realignment | 43,887 | 53,351 | 22,326 | - | 33,588 | 13,747 | 166,899 |
| At 31/3/2018 | 536,764 | 611,715 | 254,439 | 926,624 | 372,457 | 156,524 | 2,858,523 |
| Net Carrying Amount | | | | | | | |
| At 31/3/2018 | 483,500 | 13,079 | 72,762 | 93 | 27,099 | 6,797 | 603,330 |
| At 31/3/2017 | 121,530 | 45,066 | 24 | 180,270 | 74,044 | 10,668 | 431,602 |

13. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade receivables (Note (i)) | 51,099,692 | 38,335,394 |
| Trade deposit paid | 4,095,688 | 2,984,943 |
| Other receivables | 68,818 | 367,825 |
| | 55,264,198 | 41,688,162 |

(i) Aging analysis of trade receivables is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 51,016,381 | 31,959,747 |
| Past due but not impaired | 83,311 | 6,375,647 |
| | 51,099,692 | 38,335,394 |

14. AMOUNTS DUE TO FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY

The amounts due to fellow subsidiaries/immediate holding company are unsecured, interest-free and have no fixed terms of repayment. The fellow subsidiaries/immediate holding company had agreed not to demand repayment until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

15. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade payables (Note (i)) | 30,149,574 | 17,632,323 |
| Trade deposit received | 1,713,331 | 1,639,048 |
| Other payables and accruals | 369,592 | 12,975 |
| | 32,232,497 | 19,284,346 |

(i) Maturity of the trade payables is as follows:

| | | |
|---|---|---|
| Due for payment: | | |
| Not later than one year | 29,285,522 | 17,632,323 |
| Older than one year | 864,052 | - |
| | 30,149,574 | 17,632,323 |

16. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Amount repayable within one year: | | |
| Clean import loan | 1,141,931 | - |
| Trust receipt loan | 2,991,501 | 2,256,896 |
| Discounted bills loan | 25,905,049 | 16,076,525 |
| | 30,038,481 | 18,333,421 |

17. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Issued and fully paid: Ordinary shares of US$1 each | | | | |
| At March 31 | 300,000 | 2,334,000 | 300,000 | 2,334,000 |

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

## 18. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | | 61,088 | 193,760 |
| Interest in a subsidiary | (18a) | 7,859,267 | 16,347,097 |
| | | 7,920,355 | 16,540,857 |
| Current Assets | | | |
| Deposit and prepayment | | 144,674 | 103,377 |
| Trade and other receivables | | 55,297,646 | 41,544,258 |
| Amounts due from fellow subsidiaries | | 42,880,820 | 14,108,493 |
| Cash and cash equivalent | | 7,334,936 | 276,243 |
| | | 105,658,076 | 56,032,371 |
| Current Liabilities | | | |
| Amounts due to fellow subsidiaries | | 49,779,127 | 34,195,600 |
| Amount due to immediate holding company | | 6,680,103 | 6,457,400 |
| Trade and other payables | | 32,362,119 | 19,284,346 |
| Secured bank borrowings | | 30,038,481 | 18,333,421 |
| | | 118,859,830 | 78,270,767 |
| Net Current Liabilities | | ( 13,201,754) | (22,238,396) |
| NET LIABILITIES | | ( 5,281,399) | ( 5,697,539) |
| DEFICIT | | | |
| Share capital | | 2,334,000 | 2,334,000 |
| Accumulated losses | (20) | ( 7,615,399) | ( 8,031,539) |
| TOTAL DEFICIT | | ( 5,281,399) | ( 5,697,539) |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

FENG Qing
Director

18. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

a. INTEREST IN A SUBSIDIARY

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Unlisted investment, at cost | 7,556,598 | 7,556,598 |
| Amount due from a subsidiary | 302,669 | 8,790,499 |
| Details of subsidiary are as follows: | 7,859,267 | 16,347,097 |

| Name of subsidiary | Place of incorporation | Percentage of ownership and voting power | Nature of business |
|---|---|---|---|
| 派帝賽思貿易(上海)有限公司 * | The People's Republic of China | 100% | Garment trading |

* Not audited by Louis Lai & Luk CPA Limited

19. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Group had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Within one year | 1,181,555 | 1,036,362 |
| In the second to fifth years inclusive | 219,971 | 821,498 |
| | 1,401,526 | 1,857,860 |

Operating lease payments represent rental payments payable by the Group for its leased premises. Leases are negotiated for an averaged term two to three years.

20. MOVEMENT OF RESERVES OF THE COMPANY

| | Retained Earnings |
|---|---|
| | HK$ |
| At April 1, 2016 | (24,717,137) |
| Profit for the year and total comprehensive income for the year | 16,685,598 |
| At March 31, 2017 and April 1, 2017 | ( 8,031,539) |
| Profit for the year and total comprehensive income for the year | 416,140 |
| At March 31, 2018 | ( 7,615,399) |

21. BANKING FACILITIES

General banking facilities granted by a bank were secured by the fellow subsidiaries' cash deposit, immediate holding company's corporate guarantee and directors' personal guarantee.

22. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following transactions with the related parties below.

| Name of Company | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Techno Design HK Ltd. | Fellow subsidiary | Recharge income | ( 210,060) | ( 280,080) |
| Poeticgem Australia Manufacturing Co. Ltd. | Fellow subsidiary | Recharge income | - | ( 163,380) |
| Global Textiles Group Ltd. | Fellow subsidiary | Consultancy fee | 2,290,463 | 2,024,356 |
| Multinational Textile Group Ltd. | Immediate holding company | Management and service fee | 735,210 | 630,180 |
| | | Recharge expenses | 155,608 | - |
| Nor Lanka Manufacturing Ltd. | Fellow subsidiary | Recharge income | ( 560,160) | ( 466,800) |
| Norwest Industries Ltd. | Fellow subsidiary | Commission expenses | 1,442,126 | 1,635,232 |
| | | Recharge income | ( 560,160) | ( 826,739) |
| | | Recharge expenses | 3,078,360 | 1,508,832 |
| | | Management and service fee | - | 2,334,000 |
| | | Bank interest recovery | 672,192 | - |
| Poeticgem Ltd. | Fellow subsidiary | Recharge expenses | 2,416,922 | 1,464,114 |
| Poeticgem International Ltd. | Fellow subsidiary | Recharge expenses | 9,114 | 52,937 |
| Simple Approach Ltd. | Fellow subsidiary | Recharge income | ( 560,160) | ( 420,120) |
| | | Recharge expenses | 1,984,282 | 1,394,305 |
| Spring Near East Manufacturing Co. Ltd. | Fellow subsidiary | Recharge income | ( 1,120,320) | ( 947,604) |
| | | Commission expenses | - | 50,369 |
| | | Recharge expenses | 578,921 | - |
| Zamira Fashion Limited | Fellow subsidiary | Recharge income | ( 560,160) | ( 420,120) |
| Kleider Sourching Hong Kong Ltd. | Fellow subsidiary | Recharge income | ( 280,080) | (3,843,320) |
| | | Purchases | - | ( 186,720) |
| JJ Star Industrial Ltd. | Fellow subsidiary | Recharge income | ( 560,160) | ( 233,400) |

22. RELATED PARTY TRANSACTIONS (CONT'D)

| Name of Company | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Sourcing Solutions Ltd. | Fellow subsidiary | Recharge income | ( 280,080) | ( 140,040) |
| Techno Design GMBH | Fellow subsidiary | Recharge income | ( 24,317) | ( 32,448) |
| | | Commission income | ( 91,177) | - |
| | | Sales | (3,846,647) | ( 59,966) |
| Grupo Sourcing Ltd. | Fellow subsidiary | Recharge income | ( 140,040) | ( 93,360) |
| Green Apparel Industries Ltd. | Fellow subsidiary | Recharge income | ( 466,800) | ( 93,360) |
| Twins Asia Ltd. | Fellow subsidiary | Recharge income | ( 933,600) | ( 700,200) |
| Progress Manufacturing Group Ltd. | Fellow subsidiary | Recharge income | ( 466,800) | ( 93,360) |
| Fareast Vogue Ltd. | Fellow subsidiary | Recharge income | ( 280,080) | ( 140,040) |
| Rising Star Asia Corporation Limited | Fellow subsidiary | Recharge expenses | 1,231,834 | - |

## 23. CURRENCY RISK

### (i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HKD) 2018 | | | | |
|---|---|---|---|---|---|
| | CNY | GBP | EUR | USD | Total |
| Deposits and prepayment | 355,142 | - | - | - | 355,142 |
| Trade and other receivables | 26,963 | - | - | 51,133,139 | 51,160,102 |
| Trade and other payables | 206,377 | - | 6,959 | 30,290,508 | 30,503,844 |
| Cash and cash equivalents | 2,123,319 | 31,068 | 1,529,317 | 5,396,350 | 9,080,054 |
| Net exposure arising from recognised assets and liabilities | 2,711,801 | 31,068 | 1,536,276 | 86,819,997 | 91,099,142 |

| | (Expressed in HKD) 2017 | | | | |
|---|---|---|---|---|---|
| | CNY | GBP | EUR | USD | Total |
| Deposits and prepayment | 411,677 | - | - | - | 411,677 |
| Trade and other receivables | 809,577 | - | 1,078,119 | 39,820,346 | 41,708,042 |
| Trade and other payables | ( 32,722) | - | ( 864,075) | (18,374,574) | (19,271,371) |
| Cash and cash equivalents | 1,111,914 | 31,806 | 21,397 | 8,244,882 | 9,409,999 |
| Net exposure arising from recognised assets and liabilities | 2,300,446 | 31,806 | 235,441 | 29,690,654 | 32,258,347 |

### (ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| Chinese Yuan (CNY) | 226,435 | (226,435) | 192,087 | (192,087) |
| British Pounds (GBP) | 2,594 | ( 2,594) | 2,656 | ( 2,656) |
| Euro Dollars (EUR) | 128,279 | (128,279) | 19,659 | ( 19,659) |
| | 357,308 | (357,308) | 214,402 | (214,402) |

23. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis (Cont'd)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Group's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Group's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

24. INTEREST RATE RISK

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Financial liabilities bearing variable interests: | | |
| Clean import loans | 14,141,931 | - |
| Trust receipts loans | 2,991,501 | 2,256,896 |
| Discount bills loans | 25,905,049 | 16,076,525 |
| | 30,038,481 | 18,333,421 |

Should market interest rate on March 31 increase by 10%, the profit or loss for the year would be reduced by a net amount of HK$3,003,848 (2017: HK$1,833,342). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

25. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

26. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Group's Board of Director on May 18, 2018.

# PDS ASIA STAR CORPORATION LIMITED
## CONSOLIDATED DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 397,843,657 | 364,480,071 |
| COST OF SALES | (364,842,340) | (335,505,204) |
| GROSS PROFIT | 33,001,317 | 28,974,867 |
| OTHER INCOME AND GAINS | | |
| Bank interest income | 2,931 | 2,257 |
| Commission income | 6,421,475 | 6,193,225 |
| Marketing fee received | 405,946 | 947,961 |
| Sundry income | 1,141,620 | 947,271 |
| Exchange gain, net | - | 438,056 |
| Service income | - | - |
| | 40,973,289 | 37,503,637 |
| OPERATING EXPENSES (SCH II) | ( 39,418,806) | ( 34,742,549) |
| PROFIT BEFORE TAXATION | 1,554,483 | 2,761,088 |

# PDS ASIA STAR CORPORATION LIMITED
## CONSOLIDATED DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH II**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| OPERATING EXPENSES | | |
| Depreciation | | |
| Depreciation expenses | 391,883 | 635,468 |
| Staff Costs | | |
| Directors' remuneration | 594,495 | 640,223 |
| MPF contribution | 94,715 | 98,595 |
| Medical and social welfare contribution | 7,340,623 | 5,309,759 |
| Salaries | 18,016,717 | 12,608,265 |
| Staff welfare expenses | 384,729 | 21,891 |
| | 26,431,279 | 18,678,733 |
| Finance Cost | | |
| Bank finance charges | 2,112,727 | 2,302,401 |
| Other Operating Expenses | | |
| Auditor's remuneration | 124,562 | 51,225 |
| Bank charges | 1,592,232 | 1,580,152 |
| Building management fee | 168,520 | 90,266 |
| Business registration fee | 2,941 | - |
| China levy | - | 90,140 |
| Cleaning expense | 60,467 | 23,424 |
| Commission expenses | 1,442,126 | 1,689,331 |
| Consultancy fee | 3,143,234 | 2,618,655 |
| Courier | 1,359,620 | 662,475 |
| Electricity expenses | 177,792 | 101,377 |
| Entertainment | 137,259 | 58,679 |
| Exchange loss, net | 1,661,695 | - |
| Immigration expenses | 44,897 | 9,879 |
| Insurance | - | 12,362 |
| IT charges | - | 57,099 |
| Legal and professional fee | 179,572 | 32,652 |
| License fee | 9,124 | 9,124 |
| Local travelling | 3,138,805 | 1,828,514 |
| Management and service fee | 10,165,934 | 7,351,920 |
| Mobile and telephone expenses | 145,718 | 319,446 |
| Motor vehicle expenses | 182,644 | 90,597 |
| Office supplies | 294,659 | 275,955 |
| Overseas travelling | 497,938 | 273,683 |
| Printing and stationery | 236,523 | 103,419 |
| Recharge income | (16,813,818) | ( 5,260,939) |
| Recruitment expenses | 75,328 | 21,918 |
| Rent | 1,763,202 | 941,154 |
| Repair and maintenance | 148 | 4,092 |
| Sampling expenses | 686,184 | 58,684 |
| Taxi and car hire charges | 5,611 | 30,664 |
| | 10,482,917 | 13,125,947 |
| | 39,418,806 | 34,742,549 |

# PDS ASIA STAR CORPORATION LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 397,913,829 | 364,227,601 |
| COST OF SALES | (364,664,865) | (335,247,008) |
| GROSS PROFIT | 33,248,964 | 28,980,593 |
| OTHER INCOME | | |
| Commission income | 6,421,475 | 6,193,225 |
| Marketing fee received | 405,946 | 947,961 |
| Sundry income | 1,141,620 | 946,648 |
| Exchange gain, net | - | 554,666 |
| | 41,218,005 | 37,623,093 |
| OPERATING EXPENSES (SCH II) | ( 40,801,865) | ( 20,937,495) |
| PROFIT BEFORE TAXATION | 416,140 | 16,685,598 |

# PDS ASIA STAR CORPORATION LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH II**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| OPERATING EXPENSES | | |
| Depreciation | | |
| Depreciation expenses | 203,051 | 320,300 |
| Staff Costs | | |
| Salaries | 4,342,678 | 3,693,939 |
| MPF contribution | 94,715 | 98,595 |
| Medical benefits and expenses | 95,298 | 253,129 |
| Staff welfare expenses | 10,044 | 10,515 |
| | 4,542,735 | 4,056,178 |
| Finance Cost | | |
| Bank finance charges | 2,112,727 | 2,302,401 |
| Other Operating Expenses | | |
| Auditor's remuneration | 124,562 | 51,225 |
| Bank charges | 1,586,869 | 1,576,867 |
| Business registration fee | 2,941 | 10,295 |
| Commission expenses | 1,442,126 | 1,689,331 |
| Consultancy fee | 2,702,405 | 2,278,381 |
| Courier | 49,810 | 36,600 |
| Electricity | - | 6,321 |
| Entertainment | 5,493 | 6,025 |
| Exchange loss, net | 1,260,955 | - |
| Immigration expenses | 1,620 | - |
| Insurance | - | 12,363 |
| IT charges | - | 57,099 |
| Legal and professional fee | 153,388 | 19,859 |
| License fee` | 9,124 | 9,124 |
| Local travelling | 9,130 | 131,705 |
| Management and service fee | 10,165,934 | 7,351,920 |
| Mobile and telephone expenses | 6,131 | 15,480 |
| Motor vehicle expenses | 38,886 | 47,653 |
| Office rent | - | 88,309 |
| Office supplies | 28,694 | 6,883 |
| Overseas travelling | 186,129 | 72,876 |
| Printing and stationery | 11,913 | 35,872 |
| Recharge income | (16,813,816) | 5,205,323 |
| Recruitment expenses | 4,560 | 19,764 |
| Repairs and maintenance | 149 | - |
| Sampling expenses | 15,282 | 48,052 |
| Service expenses | 32,945,456 | 5,886,383 |
| Taxi and car hire charges | 5,611 | 5,552 |
| | 33,943,352 | 14,258,616 |
| | 40,801,865 | 20,937,495 |

File No. 22/60513025

# PDS ASIA STAR CORPORATION LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

**SCH 1**

| | HK$ |
|---|---|
| Basis period: 1/4/2017 - 31/3/2018 | |
| Profit per audited financial statements | 416,140 |

The Company is an exporter of garment and conducts its business outside of Hong Kong. It is our view that the operations for which the income of the Company accrues were conducted outside of Hong Kong. Therefore, its profits were not chargeable to tax under section 14 of the Inland Revenue Ordinance.

# ZAMIRA FASHION LIMITED

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

**LOUIS LAI & LUK CPA LIMITED**
**CERTIFIED PUBLIC ACCOUNTANTS**

# ZAMIRA FASHION LIMITED

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# ZAMIRA FASHION LIMITED

## DIRECTORS' CONSOLIDATED REPORT

The directors have pleasure in present their annual report and the annual audited consolidated financial statements of the Group for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The principal activity of the Company is trading of garment. The principal activity and other particulars of the subsidiary are set out in the Note (19a) to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiary (the "Group") for the year ended March 31, 2018 are set out in the consolidated statement of comprehensive income on page 6.

The directors recommend the payment of a final dividend of HK$1,785,837 (2017: Nil).

### SHARE CAPITAL AND RESERVES

Details of share capital of the Group are set out in Note (18) to the consolidated financial statements.

There were no movements in reserves except for changes to retained earnings which arose from profit or loss.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (11) to the consolidated financial statements.

### DIRECTORS

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

Deepak Kumar SETH
Thomas MUELLER
Pallak SETH

In accordance with Article 7 of the Company's Article of Association, all the directors retire and, being eligible, offer themselves for re-election.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transaction as disclosed in Note (22) to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or its subsidiaries (if made by the Company).

## BUSINESS REVIEW

By a special resolution passed on September 30, 2014, the Company resolved to dispense the preparation of a business review for the financial year ended March 31, 2018 and every subsequent financial year. Accordingly, the Company is exempted from preparing a business review for this financial year.

## AUDITORS

The Group's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Thomas MUELLER
Chairman

Hong Kong, May 18, 2018.

**LOUIS LAI & LUK CPA LIMITED** CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZAMIRA FASHION LIMITED

**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the consolidated financial statements of Zamira Fashion Limited and its subsidiaries ("the Group") set out on pages 7 to 32, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**Responsibilities of Directors and those charged with governance for the Consolidated Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**LOUIS LAI & LUK CPA LIMITED** CERTIFIED PUBLIC ACCOUNTANTS
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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, 18 MAY 2018

# ZAMIRA FASHION LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 289,571,445 | 309,292,028 |
| PURCHASES AND RELATED COSTS | | (254,822,520 | (271,789,660) |
| GROSS PROFIT | | 34,748,925 | 37,502,368 |
| OTHER INCOME AND GAINS | (6) | 12,994,184 | 9,860,669 |
| STAFF COSTS | | ( 18,538,745) | ( 16,694,848) |
| DEPRECIATION EXPENSES | | ( 1,146,911) | ( 926,052) |
| OTHER OPERATING EXPENSES | | ( 19,675,091) | ( 17,841,715) |
| PROFIT FROM OPERATIONS | | 8,382,362 | 11,900,422 |
| FINANCE COSTS | (7) | ( 1,961,044) | ( 1,200,725) |
| PROFIT BEFORE TAX | (8) | 6,421,318 | 10,699,697 |
| INCOME TAX EXPENSE | (10) | ( 1,205,474) | ( 1,901,540) |
| PROFIT FOR THE YEAR | | 5,215,844 | 8,798,157 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 5,215,844 | 8,798,157 |

THE NOTES ON PAGES 11 TO 32 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# ZAMIRA FASHION LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | (11) | 3,960,091 | 4,017,019 |
| Current Assets | | | |
| Inventories | (12) | 12,562,908 | 8,519,371 |
| Deposits and prepayment | | 2,271,657 | 925,613 |
| Amounts due from fellow subsidiaries | (9ii)(13) | 13,778,113 | 30,977 |
| Amount due from a director | (9ii) | 3,226,140 | 1,400,400 |
| Trade and other receivables | (14) | 32,506,598 | 53,971,983 |
| Cash and cash equivalents | | 3,414,049 | 1,003,916 |
| Tax recoverable | | 129,859 | - |
| | | 67,889,324 | 65,852,260 |
| Current Liabilities | | | |
| Amounts due to fellow subsidiaries | (15) | 2,217,635 | 2,387,911 |
| Trade and other payables | (16) | 16,764,767 | 16,190,860 |
| Secured bank borrowings | (17) | 37,429,847 | 38,879,887 |
| Provision for taxation | | - | 341,009 |
| | | 56,412,249 | 57,799,667 |
| Net Current Assets | | 11,477,075 | 8,052,593 |
| NET ASSETS | | 15,437,166 | 12,069,612 |
| EQUITY | | | |
| Share capital | (18) | 1,945,000 | 1,945,000 |
| Retained earnings | | 13,569,640 | 10,139,633 |
| Translation reserve | | ( 77,474) | ( 15,021) |
| TOTAL EQUITY | | 15,437,166 | 12,069,612 |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Thomas MUELLER
Director

Pallak SETH
Director

THE NOTES ON PAGES 10 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# ZAMIRA FASHION LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Translation Reserve | Retained Earnings | Total |
|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ |
| At April 1, 2016 | 1,945,000 | - | 1,341,476 | 3,286,476 |
| Profit for the year and total comprehensive income for the year | - | (15,021) | 8,798,157 | 8,783,136 |
| At March 31, 2017 | 1,945,000 | (15,021) | 10,139,633 | 12,069,612 |
| Profit for the year and total comprehensive income for the year | - | (62,453) | 5,215,844 | 5,153,391 |
| Dividend | - | - | ( 1,785,837) | ( 1,785,837) |
| At March 31, 2018 | 1,945,000 | (77,474) | 13,569,640 | 15,437,166 |

THE NOTES ON PAGES 11 TO 32 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# ZAMIRA FASHION LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | HK$ | HK$ |
| Profit before taxation | 6,421,318 | 10,699,697 |
| Adjustments for: | | |
| Bank interest income | ( 769) | ( 1,060) |
| Interest expenses | 1,961,044 | 1,200,725 |
| Depreciation | 1,146,911 | 926,052 |
| **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | 9,528,504 | 12,825,414 |
| Increase in inventories | ( 4,043,537) | ( 3,248,758) |
| Increase in deposits and prepayment | ( 1,346,044) | ( 152,562) |
| Decrease in trade and other receivables | 21,465,385 | 11,419,722 |
| Net payments to fellow subsidiaries | (13,917,412) | ( 601,560) |
| Net (payment to)/receipt from a director | ( 1,825,740) | 6,903 |
| Decrease in trade and other payables | 573,907 | ( 6,103,822) |
| **NET CASH GENERATED FROM OPERATIONS** | 10,435,063 | 14,145,337 |
| Interest received | 769 | 1,060 |
| Hong Kong profits tax paid | ( 1,670,921) | ( 2,282,337) |
| China tax paid | ( 5,421) | - |
| Interest paid | ( 1,961,044) | ( 1,200,725) |
| Net cash generated from operating activities | 6,798,446 | 10,663,335 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of plant and equipment and net cash used in investing activities | ( 1,089,983) | ( 3,453,453) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net receipts of secured bank borrowings | ( 1,450,040) | ( 8,511,060) |
| Dividend paid | ( 1,785,837) | - |
| Net cash used in financing activities | ( 3,235,877) | ( 8,511,060) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 2,472,586 | ( 1,301,178) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 1,003,916 | 2,320,115 |
| **EFFECT OF FOREIGN EXCHANGE DIFFERENCE** | ( 62,453) | ( 15,021) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 3,414,049 | 1,003,916 |

THE NOTES ON PAGES 11 TO 32 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# ZAMIRA FASHION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Zamira Fashion Limited is a company incorporated in Hong Kong with limited liability. The principal activity of the Group is trading of garment. The Company's registered office is 10/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively; a company incorporated in Mauritius. The ultimate holding company and the immediate holding company are respectively incorporated in India and Mauritius. The ultimate holding company's shares are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Group, and accordingly, they have had no material impact on the Group's financial statements for the year ended March 31, 2018.

c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied any new and revised HKFRSs that have been issued but are not year effective for the accounting year ended March 31, 2018, in these consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

| | |
|---|---|
| Leasehold improvement | 3 years |
| Furniture and fixtures | 3 years |
| Office equipment | 3 years |
| Motor vehicle | 3 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the consolidated financial statements and any resulting gain or loss is included in the consolidated statement of comprehensive income.

e. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Basis of Consolidation (Cont'd)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity.

In the Company's statements of financial position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary are accounted for by the Company on the basis of dividends received and receivable.

f. Inventories

Inventories are stated at the lower of cost and net realisbale value.

Cost of raw materials is arrived at by reference to the suppliers' invoiced cost and is in general assigned to individual items on the first-in, first-out basis.

Net realizable value is based on estimated selling prices less any further costs expected to be incurred. When inventories are sold, the carrying amount of those inventories is recognised as an expenses in the year in which the related revenue is recognised.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

i. Financial Assets

Financial assets of the Group are only classified under loans and receivables category.

j. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

k. Financial Liabilities

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities comprise trade and other payables, and amounts due to fellow subsidiaries and a director, which are subsequently measured at amortized cost, using the effective interest method.

l. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which those entities operate ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which are the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 consolidated statement of comprehensive income.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income.

p. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when the goods are delivered to buyer.
- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Commission income is recognised in the year when services are rendered.
- Sundry income is recognised on a receipt basis.

r. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

s. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Group's policy for borrowing cost as stated in the preceding note.

t. Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

u. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the consolidated statement of comprehensive income.

No provision on employee entitlements to annual leave is provided in the consolidated financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

v. Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Group is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit cost arising from the MPF Scheme charged to the Consolidated Statement of Comprehensive Income represent contribution payable to the funds by the Group in accordance with the rules of the MPF Scheme.

w. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements.

x. Related Parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

y. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## 3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Group comprise trade and other receivable, deposits, amounts due from a director and fellow subsidiaries, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the consolidated and company statements of financial position or in the corresponding notes to the consolidated financial statements. The financial liabilities of the Group comprise trade and other payables, and amounts due to fellow subsidiaries and a director which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statement of financial position or in the corresponding notes to the consolidated financial statements.

### (ii) Financial risk management

The Group's financial risks are limited by the financial management policies and practices described below:

#### (a) Market risk - Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, the Group uses forward contracts, transacted with one of fellow subsidiary and charge back to the Group for the gain/loss on foreign exchange contract. The Group is responsible for managing the net position in each foreign currency by using external forward currency contracts.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Financial risk management (Cont'd)

(b) Credit risk

The Group has no significant concentrations of credit risk because the creditworthiness of each of the Group's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Group is adequately protected from the credit risk.

(c) Liquidity risk

As the fellow subsidiaries have confirmed its willingness to provide continuous financial support to the Group, the management is of the opinion that the Group is adequately protected from the liquidity risk.

(d) Cash flow and fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings from a financial institution as disclosed in Note (25).

As the fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

## 6. REVENUE, OTHER INCOME AND GAINS

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Revenue, other income and gains recognised during the year including revenue arising from: | | |
| Revenue: | | |
| Sales of goods | 289,571,445 | 309,292,028 |
| Other income and gains: | | |
| Bank interest income | 769 | 1,060 |
| Claims and penalty to supplier | 2,469,834 | 2,171,313 |
| Commission income | 4,462,525 | 789,943 |
| Sundry income | 2,847 | 83,226 |
| Exchange gain, net | 6,058,209 | 6,815,127 |
| | 12,994,184 | 9,860,669 |
| Total revenue recognised | 302,565,629 | 319,152,697 |

## 7. FINANCE COSTS

| | | |
|---|---|---|
| Bank finance charges | 1,837,669 | 1,031,760 |
| Other interest paid | 123,375 | 168,965 |
| | 1,961,044 | 1,200,725 |

## 8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

| | | |
|---|---|---|
| Auditor's remuneration | 151,211 | 112,290 |
| Depreciation - owned assets | 1,146,911 | 926,052 |
| Exchange gain, net | ( 6,058,225) | ( 6,815,127) |
| Rental payments under operating leases | 1,279,489 | 1,200,389 |
| Staff costs (including director's remuneration) | | |
| - Salaries and allowance | 17,949,405 | 16,236,213 |
| - MPF contribution | 192,009 | 184,769 |
| - Staff welfare expenses | 397,331 | 273,866 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Group disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | 1,200,000 | 1,200,000 |
| Retirement benefits | 18,000 | 18,000 |
| | 1,218,000 | 1,218,000 |

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Group and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

| Name of borrower | Relationship | Outstanding principal | | |
|---|---|---|---|---|
| | | At beginning of year | At end of year | Maximum outstanding |
| | | HK$ | HK$ | HK$ |
| Thomas MUELLER | Director | 1,400,400 | 3,226,140 | 3,226,140 |
| Norwest Industries Ltd., Hong Kong | Fellow subsidiary [1] | 30,977 | ( 537,113) | 30,977 |

[1] Connected with Deepak Kumar SETH and Pallak SETH.

Principal terms: The loans, quasi-loans and credit transactions are interest free, unsecured and have no fixed repayment terms.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director.

9. DIRECTOR'S REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(iii) Material interests of directors (including shadow directors) of the Group disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, except for the related party transactions as disclosed in Note (22) to the financial statements, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

10. TAXATION

Hong Kong profits tax has been provided in the consolidated financial statements of the rate of 16.5% (2017:16.5%) on the assessable profits for the year.

The tax charge for the year can be reconciled to the profit per consolidated statement of comprehensive income as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Profit before taxation | 6,421,318 | 10,699,697 |
| Tax at the domestic income tax rate | 1,059,517 | 1,765,450 |
| Tax effect non-deductible expenses | 141,472 | 149,495 |
| Tax effect of non-taxable revenue | ( 40,452) | ( 34,671) |
| Deemed income subject to overseas taxation | 44,937 | 21,266 |
| Taxation expense for the year | 1,205,474 | 1,901,540 |

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses maybe carried forward indefinitely.

11. PLANT AND EQUIPMENT

| | Leasehold Improvement | Furniture and Fixtures | Office Equipment | Motor Vehicle | Plant and Machinery | Total |
|---|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ | HK$ |
| Cost | | | | | | |
| At 1/4/2016 | 2,028,896 | 804,635 | 1,316,850 | 1,065,009 | - | 5,215,390 |
| Additions | 216,485 | 47,265 | 124,854 | - | 3,064,849 | 3,453,453 |
| At 31/3/2017 | 2,245,381 | 851,900 | 1,441,704 | 1,065,009 | 3,064,849 | 8,668,843 |
| Additions | 712,190 | 108,313 | 269,480 | - | - | 1,089,983 |
| At 31/3/2018 | 2,957,571 | 960,213 | 1,711,184 | 1,065,009 | 3,064,849 | 9,758,826 |
| Accumulated Depreciation | | | | | | |
| At 1/4/2016 | 1,714,513 | 645,468 | 923,297 | 442,494 | - | 3,725,772 |
| Charge for the year | 173,161 | 118,400 | 253,494 | 354,967 | 26,030 | 926,052 |
| At 31/3/2017 | 1,887,674 | 763,868 | 1,176,791 | 797,461 | 26,030 | 4,651,824 |
| Charge for the year | 313,895 | 71,525 | 209,463 | 267,441 | 284,587 | 1,146,911 |
| At 31/3/2018 | 2,201,569 | 835,393 | 1,386,254 | 1,064,902 | 310,617 | 5,798,735 |
| Net Carrying Amount | | | | | | |
| At 31/3/2018 | 756,002 | 124,820 | 324,930 | 107 | 2,754,232 | 3,960,091 |
| At 31/3/2017 | 357,707 | 88,032 | 264,913 | 267,548 | 3,038,819 | 4,017,019 |

12. INVENTORIES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Finished goods | 12,562,908 | 8,519,371 |

## 13. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest free and have no fixed repayment terms. No provisions for bad and doubtful debts have been recognised on the amounts due. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 14. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade receivables (Note a) | 31,803,532 | 50,533,638 |
| Other receivables | 703,066 | 3,438,345 |
| | 32,506,598 | 53,971,983 |

(a) Aging analysis of trade receivables is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 31,803,532 | 45,046,655 |
| Past due but not impaired | - | 5,486,983 |
| | 31,803,532 | 50,533,638 |

Trade receivables are due within 30-120 days from date of billing.

## 15. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The fellow subsidiaries agreed not to demand repayment of the amounts due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 16. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade payables (Note a) | 13,476,770 | 12,379,175 |
| Accruals | 3,287,997 | 3,811,685 |
| | 16,764,767 | 16,190,860 |

(a) Maturity of the trade payables is as follows:

| | | |
|---|---|---|
| Due for payment: | | |
| Not later than one year | 13,476,770 | 12,379,175 |

17. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Amount repayable within one year: | | |
| Clean import loans | 15,782,399 | - |
| Factoring loans | - | 27,520,253 |
| Trust receipt loans | 21,647,448 | 11,359,634 |
| | 37,429,847 | 38,879,887 |

18. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Issued and fully paid: Ordinary shares of US$1 each | | | | |
| At March 31 | 250,000 | 1,945,000 | 250,000 | 1,945,000 |

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

19. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTE | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | | 1,197,340 | 964,763 |
| Investment in a subsidiary | (19a) | 3,596,400 | 3,596,400 |
| | | 4,793,740 | 4,561,163 |
| Current Assets | | | |
| Inventories | | 12,562,908 | 8,519,371 |
| Deposits and prepayment | | 2,080,344 | 823,851 |
| Amounts due from fellow subsidiaries | | 13,778,114 | 30,977 |
| Amount due from a subsidiary company | | 933,243 | 874,772 |
| Amount due from director | | 3,226,140 | 1,400,400 |
| Trade and other receivables | | 31,628,683 | 52,991,063 |
| Cash and cash equivalents | | 3,052,111 | 861,181 |
| Tax recoverable | | 135,281 | - |
| | | 67,396,824 | 65,501,615 |
| Current Liabilities | | | |
| Amount due to a subsidiary | (19b) | 46,400 | 57,400 |
| Amounts due to fellow subsidiaries | | 2,217,635 | 2,387,911 |
| Trade and other payables | | 16,106,302 | 15,835,498 |
| Secured bank borrowings | | 37,429,847 | 38,879,887 |
| Provision for taxation | | - | 341,009 |
| | | 55,800,184 | 57,501,705 |
| Net Current Assets | | 11,596,640 | 7,999,910 |
| NET ASSETS | | 16,390,380 | 12,561,073 |
| EQUITY | | | |
| Share capital | | 1,945,000 | 1,945,000 |
| Retained earnings | | 14,445,380 | 10,616,073 |
| TOTAL EQUITY | | 16,390,380 | 12,561,073 |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Thomas MUELLER
Director

Pallak SETH
Director

19. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(a) Particulars of principal subsidiary

| Name of subsidiary | Place of incorporation | Percentage of ownership and voting power | | Nature of business |
|---|---|---|---|---|
| | | 2018 | 2017 | |
| Zamira Denim Lab Limited | Hong Kong | 100% | 100% | Not yet commenced business |
| Zamira Fashion Limited Zhong Shan | People's Republic of China | 100% | 100% | Garment trading |

(b) The amount due to a subsidiary is interest-free, unsecured and has no fixed repayment terms. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

20. MOVEMENT IN THE RESERVES OF THE COMPANY

| | Retained Earnings |
|---|---|
| | HK$ |
| Balance at April 1, 2016 | 1,689,033 |
| Profit for the year and total comprehensive income for the year | 8,927,040 |
| Balance at March 31, 2017 | 10,616,073 |
| Profit for the year and total comprehensive income for the year | 5,615,144 |
| Dividend | ( 1,785,837) |
| At March 31, 2018 | 14,445,380 |

21. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Group had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Within one year | - | 330,658 |

Operating lease payments represent rental payments payable by the Group for its leased premises. Leases are negotiated for an averaged term two years.

22. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following transactions with the related parties below.

| Name | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Norwest Industries Ltd., Hong Kong | Fellow subsidiary | - Rental expenses | 857,520 | 700,800 |
| | | - Interest expenses | 301,158 | 168,965 |
| | | - Commission income | - | ( 789,943) |
| | | - Recharge income | (4,353,527) | (3,896,266) |
| | | - Recharge expenses | 2,597,892 | 3,422,248 |
| Poeticgem Ltd., UK | Fellow subsidiary | - Sample expenses | 662,156 | - |
| | | - Recharge income | ( 17,096) | - |
| | | - Recharge expenses | 2,300,613 | 1,538,482 |
| Simple Approach Ltd., Hong Kong | Fellow subsidiary | - Recharge income | ( 675,732) | ( 268,585) |
| | | - Recharge expenses | 85,689 | 79,590 |
| SSY Asia Limited, Hong Kong | Related company [1] | - Consultancy fee | 600,000 | 600,000 |
| Multinational Textile Group Ltd., Mauritius | Immediate holding company | - Management and service fee | 1,050,300 | 1,073,640 |
| | | - Security system | 140,040 | 93,360 |
| Nor Europe Manufacturing Co. Ltd., Hong Kong | Fellow subsidiary | - Recharge income | - | 21,551 |
| | | - Recharge expenses | - | 5,747 |
| PDS Asia Star Corporation Ltd., Hong Kong | Fellow subsidiary | - Recharge expenses | 560,160 | 420,120 |
| | | - Recharge income | 1,169 | - |
| Green Apparel Industries Limited | Fellow subsidiary | - Sample expenses | 116,700 | - |
| Global Textile Group Limited | Fellow subsidiary | - Sample expenses | 1,806,205 | - |
| Spring Near East Manufacturing Co. Limited | Fellow subsidiary | - Other interest paid | 82,915 | - |
| Poeticgem International Limited | Fellow subsidiary | - Commission income | 4,462,525 | - |

[1] Connected with Thomas MUELLER who is a controlling director of the captioned company.
[2] Connected with close family member of the director, Deepak Kumar SETH.

## 23. CONTINGENT LIABILITIES

(a) The Group had the following contingent liabilities not provided for in the consolidated financial statements at the end of reporting period:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Irrevocable letters of credit | 41,053,110 | 89,161,403 |

(b) At the end of reporting period, there were mutual guarantees between the Group and its fellow subsidiary.

## 24. CURRENCY RISK

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Group to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HK$) 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | USD | CHF | EUR | GBP | BDT | RMB | Total |
| Trade and other receivables | 26,005,837 | - | 6,012,882 | - | - | - | 32,018,719 |
| Bank and cash balances | 1,899,162 | 1,620 | 182,488 | 141,833 | 401,919 | 361,937 | 2,988,959 |
| Trade and other payables | (12,118,336) | - | ( 713,020) | - | - | (645,414) | (13,476,770) |
| Secured bank borrowings | (27,305,673) | - | (10,124,174) | - | - | - | (38,879,887) |
| Net exposure arising from recognised assets and liabilities | (11,519,010) | 1,620 | ( 4,641,824) | 141,833 | 401,919 | (283,477) | (17,348,979) |

| | (Expressed in HK$) 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | USD | CHF | EUR | GBP | BDT | RMB | Total |
| Trade and other receivables | 22,084,196 | - | 28,449,442 | - | - | - | 50,533,638 |
| Bank and cash balances | 601,591 | 8,248 | 62,046 | 15,940 | 66,924 | - | 754,749 |
| Trade and other payables | (12,379,175) | - | ( 3,811,685) | - | - | - | (16,190,860) |
| Secured bank borrowings | (21,345,751) | - | (17,534,136) | - | - | - | (38,879,887) |
| Net exposure arising from recognised assets and liabilities | (11,039,139) | 8,248 | 7,165,667 | 15,940 | 66,924 | - | ( 3,782,360) |

24. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit/loss after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| Swiss Franc (CHF) | 135 | ( 135) | 689 | ( 689) |
| Euro (EUR) | 387,592 | (387,592) | 598,333 | (598,333) |
| British Pound (GBP) | 11,843 | ( 11,843) | 1,331 | ( 1,331) |
| Bangladeshi Taka (BDT) | 33,560 | ( 33,560) | 5,588 | ( 5,588) |
| Chinese Yuan (RMB) | 23,670 | ( 23,670) | - | - |
| | 456,800 | (456,800) | 605,941 | (605,941) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Group's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Group's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

25. INTEREST RATE RISK

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Financial liabilities bearing variable interests: | | |
| Clean import loans | 15,782,399 | - |
| Factoring loans | - | 27,520,253 |
| Trust receipts loans | 21,647,448 | 11,359,634 |
| | 37,429,847 | 38,879,887 |

25. INTEREST RATE RISK (CONT'D)

Should market interest rate on March 31 increase by 10%, the profit or loss for the year would be reduced by a net amount of HK$3,742,985 (2017: HK$3,887,989). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

26. BANKING FACILITIES

General banking facilities granted by a bank were secured by ultimate holding company's, immediate holding company's, fellow subsidiaries', and related company's corporate guarantee, directors' personal guarantee, bank guarantee and fellow subsidiary's properties.

27. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on May 18, 2018.

# ZAMIRA FASHION LIMITED
## CONSOLIDATED DETAILED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 289,571,445 | 309,292,028 |
| COST OF SALES | | |
| Opening inventories | 8,519,371 | 5,270,613 |
| Purchases | 254,407,003 | 271,358,459 |
| Freight charges | 2,606,677 | 1,183,219 |
| Testing charges | 543,181 | 116,593 |
| Handling charge | - | 91,849 |
| Inspection charges | 27,289 | 35,586 |
| Claims and penalty | 1,281,907 | 2,240,257 |
| Import duty | - | 12,455 |
| | 267,385,428 | 280,309,031 |
| Less: Closing inventories | 12,562,908 | 8,519,371 |
| | 254,822,520 | 271,789,660 |
| GROSS PROFIT | 34,748,925 | 37,502,368 |
| OTHER INCOME | | |
| Bank interest income | 769 | 1,060 |
| Claims and penalty to supplier | 2,469,834 | 2,171,313 |
| Commission income | 4,462,525 | 789,943 |
| Sundry income | 2,847 | 83,226 |
| Exchange gain, net | 6,058,209 | 6,815,127 |
| | 12,994,184 | 9,860,669 |
| | 47,743,109 | 47,363,037 |
| OPERATING EXPENSES (SCH II) | ( 41,321,791) | ( 36,663,340) |
| PROFIT BEFORE TAXATION | 6,421,318 | 10,699,697 |

# ZAMIRA FASHION LIMITED
## CONSOLIDATED DETAILED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

SCH II

| | 2018 | 2017 |
|---|---|---|
| OPERATING EXPENSES | HK$ | HK$ |
| Depreciation Expenses | | |
| Depreciation | 1,146,911 | 926,052 |
| Finance Costs | | |
| Bank overdraft interest paid | 1,837,669 | 1,031,760 |
| Other interest paid | 123,375 | 168,965 |
| | 1,961,044 | 1,200,725 |
| Staff Costs | | |
| Contribution to MPF | 192,009 | 184,769 |
| Director's remuneration | 1,200,000 | 1,200,000 |
| Salaries and bonus | 16,749,405 | 15,036,213 |
| Staff welfare expenses | 397,331 | 273,866 |
| | 18,538,745 | 16,694,848 |
| Other Operating Expenses | | |
| Accountancy fee | 36,565 | 36,626 |
| Auditors' remuneration | 151,211 | 126,684 |
| Bank charges | 985,267 | 910,367 |
| Building management fee | 92,363 | 92,946 |
| Business registration fee | 2,250 | 500 |
| Cleaning expenses | 5,543 | 2,174 |
| Commission paid | 4,318,734 | 4,375,314 |
| Consultancy fee | 1,114,987 | 1,051,668 |
| Courier expenses | 1,348,357 | 1,365,880 |
| Designing expenses | - | 23,597 |
| Electricity, water, gas | 320,906 | 269,798 |
| Entertainment | 204,800 | 142,845 |
| Insurance expenses | 207,919 | 96,441 |
| Legal and professional fee | 93,513 | 56,324 |
| License fee | 29,022 | 22,862 |
| Management and service fee | 1,050,300 | 1,073,640 |
| Medical and premium expenses | 115,542 | 150,477 |
| Motor vehicle expenses | 779,477 | 749,349 |
| Newspaper, books and magazines | 8,194 | 35,432 |
| Office supplies | 192,773 | 143,002 |
| Postage and stamp | 615 | 357 |
| Printing and stationery | 232,045 | 281,221 |
| Recharge expenses | 496,740 | 1,279,785 |
| Recruitment expenses | 165,711 | 38,307 |
| Rent and rates | 1,320,596 | 1,230,472 |
| Repair and maintenance | 346,697 | 333,440 |
| Sample charges | 1,460,884 | 280,876 |
| Security system | 144,360 | 97,680 |
| Storage fee | 10,549 | - |
| Sundry expenses | 311,882 | 40,013 |
| Telephone and internet | 331,223 | 314,299 |
| Travelling expenses | 3,710,252 | 3,115,700 |
| Visa expenses | 85,814 | 103,639 |
| | 19,675,091 | 17,841,715 |
| | 41,321,791 | 36,663,340 |

# ZAMIRA FASHION LIMITED
## DETAILED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED MARCH 31, 2018
### (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 287,323,122 | 305,975,467 |
| COST OF SALES | | |
| Opening inventories | 8,519,371 | 5,270,613 |
| Purchases | 253,025,731 | 268,714,738 |
| Freight charges | 2,606,677 | 1,183,219 |
| Testing charges | 543,181 | 116,593 |
| Handling charge | - | 88,572 |
| Inspection charges | 27,289 | 35,586 |
| Claims and penalty | 1,281,907 | 2,240,257 |
| Import duty | - | 12,455 |
| | 266,004,156 | 277,662,033 |
| Less: Closing inventories | ( 12,562,908) | ( 8,519,371) |
| | 253,441,248 | 269,142,662 |
| GROSS PROFIT | 33,881,874 | 36,832,805 |
| OTHER INCOME | | |
| Bank interest income | 213 | 274 |
| Claims and penalty to supplier | 2,469,834 | 2,171,313 |
| Commission income | 4,462,525 | 789,943 |
| Sundry income | 2,847 | 83,226 |
| Exchange gain, net | 6,058,182 | 6,781,986 |
| | 12,993,601 | 9,826,742 |
| | 46,875,475 | 46,659,547 |
| OPERATING EXPENSES (SCH II) | ( 40,065,700) | ( 35,830,967) |
| PROFIT BEFORE TAXATION | 6,809,775 | 10,828,580 |

# ZAMIRA FASHION LIMITED
## DETAILED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

SCH II

| | 2018 | 2017 |
|---|---|---|
| OPERATING EXPENSES | HK$ | HK$ |
| Depreciation Expenses | | |
| Depreciation | 857,405 | 899,493 |
| Finance Costs | | |
| Bank finance charges | 1,837,669 | 1,031,760 |
| Other interest paid | 123,375 | 168,965 |
| | 1,961,044 | 1,200,725 |
| Staff Costs | | |
| Contribution to MPF | 192,009 | 184,769 |
| Director's remuneration | 1,200,000 | 1,200,000 |
| Salaries and bonus | 16,262,688 | 14,730,122 |
| Staff welfare expenses | 397,331 | 273,866 |
| | 18,052,028 | 16,388,757 |
| Other Operating Expenses | | |
| Auditors' remuneration | 151,211 | 112,290 |
| Bank charges | 983,153 | 908,496 |
| Building management fee | 92,363 | 92,946 |
| Business registration fee | 2,250 | 250 |
| Cleaning expenses | 5,543 | 2,174 |
| Commission paid | 4,318,734 | 4,375,314 |
| Consultancy fee | 1,114,987 | 1,051,668 |
| Courier expenses | 1,311,755 | 1,327,275 |
| Designing expenses | - | 23,597 |
| Electricity, water, gas | 320,906 | 269,798 |
| Entertainment | 204,800 | 140,140 |
| Insurance expenses | 207,919 | 96,441 |
| Legal and professional fee | 89,152 | 45,092 |
| License fee | 29,022 | 22,862 |
| Management and service fee | 1,050,300 | 1,073,640 |
| Medical and premium expenses | 115,542 | 150,477 |
| Motor vehicle expenses | 776,254 | 709,003 |
| Newspaper, books and magazines | 8,193 | 35,432 |
| Office supplies | 189,371 | 129,256 |
| Postage and stamp | 615 | 357 |
| Printing and stationery | 212,923 | 209,690 |
| Recharge expenses | 496,740 | 1,279,785 |
| Recruitment expenses | 165,711 | 38,307 |
| Rent and rates | 1,318,346 | 1,195,761 |
| Repair and maintenance | 343,307 | 328,568 |
| Sample charges | 1,408,159 | 173,517 |
| Security system | 144,360 | 97,680 |
| Storage fee | 10,548 | - |
| Sundry expenses | 27,759 | 9,098 |
| Telephone and internet | 331,223 | 314,299 |
| Travelling expenses | 3,678,263 | 3,025,140 |
| Visa expenses | 85,814 | 103,639 |
| | 19,195,223 | 17,341,992 |
| | 40,065,700 | 35,830,967 |

File No. 05/38423452

# ZAMIRA FASHION LIMITED


| | SCH |
|---|---|
| PROFITS TAX COMPUTATION | 1 |
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| COMMERCIAL BUILDING ALLOWANCE | 3 |
| ADDITIONS TO PLANT AND EQUIPMENT | 4 |
| COMMISSION PAID | 5 |
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| LEGAL AND PROFESSIONAL FEE | 8 |
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File No. 05/38423452

# ZAMIRA FASHION LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

**SCH 1**

| | | | HK$ | HK$ |
|---|---|---|---|---|
| Basis period: 1/4/2017 - 31/3/2018 | | | | |
| Profit per audited financial statements | | | | 6,809,775 |
| Add: Depreciation | | (ACCOUNT) | | 857,405 |
| | | | | 7,667,180 |
| Less: Bank interest income exempted from payment of profits tax | | (ACCOUNT) | 213 | |
| Depreciation allowance | | ( SCH 2 ) | 135,911 | |
| Commercial building allowance | | ( SCH 3 ) | 89,875 | |
| Expenditure claim on computer hardware and software | | ( SCH 4 ) | 19,170 | |
| | | | | ( 245,169) |
| Assessable profits | | | | 7,422,011 |

## DEPRECIATION ALLOWANCE

**SCH 2**

| | 20% | 30% | Allowance |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| Balance brought forward | 63,203 | 125,570 | |
| Additions (SCH 4) | 125,882 | - | |
| | 189,085 | 125,570 | |
| Initial allowance - 60% | ( 75,529) | - | 75,529 |
| | 113,556 | 125,570 | |
| Annual allowance | ( 22,711) | ( 37,671) | 60,382 |
| Balance carried forward | 90,845 | 87,899 | |
| | | | 135,911 |
| | | | (SCH 1) |

File No. 05/38423452

# ZAMIRA FASHION LIMITED

## COMMERCIAL BUILDING ALLOWANCE

SCH 3

| | Cost | Qualified expenditure | Residue of expenditure | Allowance |
|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ |
| Leasehold improvement (acquired in 2007/08) | | | | |
| Unit A, 10/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, HK. | | | | |
| Balance brought forward | 1,170,000 | 1,170,000 * | 702,000 | |
| * 4% annual allowance thereon | | | 46,800 | 46,800 |
| Balance carried forward | | | 655,200 | |
| (Incurred in 2017/2018) | | | | |
| Additions (SCH 4) | 698,674 | 698,674 | 698,674 | |
| * 4% annual allowance thereon | | | 27,947 | 27,947 |
| | | | 670,727 | |
| (acquired in 2009/10) | | | | |
| Unit B, 10/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, HK. | | | | |
| Balance brought forward | 378,200 | 378,200 * | 257,176 | |
| * 4% annual allowance thereon | | | 15,128 | 15,128 |
| Balance carried forward | | | 242,048 | |
| Total balance carried forward | | | 1,567,975 | |
| | | | | 89,875 |
| | | | | (SCH 1) |

# ZAMIRA FASHION LIMITED

## ADDITIONS TO PLANT AND EQUIPMENT

**SCH 4**

| | HK$ |
|---|---|
| Leasehold improvement | |
| *Hong Kong office* | |
| Office decoration | 698,674 (A) |
| *Zhongshan office* | |
| Studio decoration | 13,516 (B) |
| | 712,190 |
| Furniture and fixtures | |
| *Hong Kong office* | |
| Table | 9,225 (C) |
| *Zhongshan office* | |
| Cabinet and table | 5,795 (B) |
| Sewing machine | 18,561 (B) |
| Air conditioner | 33,470 (B) |
| *Bangladesh office* | |
| Chair | 15,989 (B) |
| Cabinet and door | 25,273 (B) |
| | 108,313 |

# ZAMIRA FASHION LIMITED

## ADDITIONS TO PLANT AND EQUIPMENT (CONT'D)

SCH 4

| | HK$ |
|---|---|
| Office equipment | |
| *Hong Kong office* | |
| Laptop | 19,170 (D) |
| Air conditioner | 55,900 (C) |
| Dummy | 60,757 (C) |
| *Zhongshan office* | |
| Laptop | 8,614 (B) |
| *Bangladesh office* | |
| Laptop | 44,856 (B) |
| Photocopier machine | 11,100 (B) |
| Air conditioner | 13,231 (B) |
| Desktop | 15,709 (B) |
| SMF battery | 14,470 (B) |
| Connector | 6,307 (B) |
| Cisco switch | 1,923 (B) |
| HP LaserJet Printer | 1,982 (B) |
| Software - Access control | 2,874 (B) |
| - Emerson 10KVA Online UPS | 12,587 (B) |
| | 269,480 |
| | 1,089,983 |

| | | |
|---|---|---|
| (A) Claimed under commercial building allowance | (SCH 3) | 698,674 |
| (B) Located outside Hong Kong and cannot claim for allowance | | 246,257 |
| (C) Ranking on 20% pool | (SCH 2) | 125,882 |
| (D) Claiming for computer hardware and software | (SCH 1) | 19,170 |
| | | 1,089,983 |

# ZAMIRA FASHION LIMITED

## COMMISSION PAID

SCH 5

| | | HK$ |
|---|---|---|
| Payee: | Kris Srl | |
| Address: | Via, G D' Annunzio 237 50135 Firenze, Italy | 3,113,107 |
| Payee: | Newtec Enterprises Limited | |
| Address: | 20/F., Tung Wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong | 1,203,481 |
| Other | | 2,146 |
| | | 4,318,734 |
| | | (ACCOUNT) |

## CONSULTANCY FEE

SCH 6

| | | HK$ |
|---|---|---|
| Payee: | SSY Asia Limited | |
| Address: | 10/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon | 600,000 |
| Payee: | A Versatile Textile Sourcing Company | |
| Address: | Office No.706, 7/F., Anum Estate Building, | |
| Payee: | Julia Reynders | |
| Address: | HegelstraBe 24, 48291 Telgte Germany | 81,690 |
| Payee: | Jeanologia | |
| Address: | Ronda Guglielmo Marconi, 12-Parque Technologico De | 104,155 |
| Payee: | Bridget Albano | |
| Address: | 11C Parkside Road, Reading, RG302DA United Kingdom | 39,386 |
| Payee: | Margaret Anne Wall | |
| Address: | 53 Park Mead, Sidcup Kent DA15 9PJ United Kingdom | 289,756 |
| | | 1,114,987 |
| | | (ACCOUNT) |

# ZAMIRA FASHION LIMITED

## MANAGEMENT AND SERVICE FEE

**SCH 7**

| | | HK$ |
|---|---|---|
| Payee: | Multinational Textile Group Limited | |
| Address: | St. Louis Business Centre, Cnr Desroches and St. Louis Streets, Port Louis, Mauritius | 1,050,300 |
| | | (ACCOUNT) |

## LEGAL AND PROFESSIONAL FEE

**SCH 8**

| | | HK$ |
|---|---|---|
| Payee: | Bimal & Associates | |
| Nature: | Tax assessment for Bangladesh office | 13,775 |
| Payee: | Louis Lai & Luk Corporate Services Ltd | |
| Nature: | Company secretary fee | 4,050 |
| Payee: | Majaribo B.V. | |
| Nature: | Dutch VAT representation | 16,966 |
| Payee: | Lo & Lo Solicitors & Notaries Public | |
| Nature: | Legal advice for count case | 50,000 |
| Payee: | Five star Associates | |
| Nature: | Service for change of office address | 644 |
| Payee: | Bimal & Associates | |
| Nature: | Tax assessment for expatriates | 3,419 |
| Other | | 298 |
| | | 89,152 |
| | | (ACCOUNT) |

Report of the Directors and Audited Financial Statements

PG GROUP LIMITED

31 March 2018

CERTIFIED TRUE COPY

ERNST & YOUNG

Building a better working world

PG GROUP LIMITED

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PG GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activities
The principal activities of the Company during the year were the trading of home and garment products, and investment holding. The principal activities of the Company's subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends
The Group's profit for the year ended 31 March 2018 and its financial position at that date are set out in the financial statements on pages 6 to 44.

An interim 2017 dividend of US$0.482 per ordinary share and a final 2017 dividend of US$0.22 per ordinary share were declared during the year.

Directors
The directors of the Company during the year were:

Berstein Jauregui Sebastian Felipe
Deepak Kumar Seth
Pallak Seth
Payel Seth

The persons who were directors of the subsidiaries of the Company during the year (not including those directors listed above) were:

Mahesh Kumar Seth
Vicente Vial Cerda

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

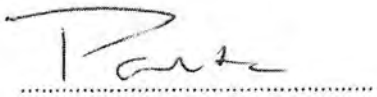
Directors' interests
At no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Pallak Seth
Chairman

Hong Kong

25 MAY 2018

EY安永

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**Independent auditor's report**
**To the members of PG Group Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the consolidated financial statements of PG Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 44, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the consolidated financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the consolidated financial statements**
The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



A member firm of Ernst & Young Global Limited

**Independent auditor's report** (continued)
**To the members of PG Group Limited**
(Incorporated in Hong Kong with limited liability)

**Responsibilities of the directors for the consolidated financial statements** (continued)
In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
25 May 2018



A member firm of Ernst & Young Global Limited

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

| | Notes | 2018<br>US$ | 2017<br>US$ |
|---|---|---|---|
| REVENUE | 5 | 30,061,480 | 23,243,549 |
| Cost of sales | | ( 24,525,214) | ( 19,377,670) |
| Gross profit | | 5,536,266 | 3,865,879 |
| Other income and gain | 5 | 35,174 | 45,044 |
| Selling and administrative expenses | | ( 4,357,508) | ( 3,141,600) |
| Finance costs | 8 | ( 16,654) | ( 29,306) |
| PROFIT BEFORE TAX | 6 | 1,197,278 | 740,017 |
| Income tax credit | 9 | - | 176,136 |
| PROFIT FOR THE YEAR | | 1,197,278 | 916,153 |
| Attributable to: | | | |
| Owners of the parent | | 1,140,329 | 902,114 |
| Non-controlling interest | | 56,949 | 14,039 |
| | | 1,197,278 | 916,153 |

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| PROFIT FOR THE YEAR | 1,197,278 | 916,153 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | 5,057 | ( 20,357) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 1,202,335 | 895,796 |
| Attributable to: | | |
| Owners of the parent | 1,145,788 | 883,310 |
| Non-controlling interest | 56,547 | 12,486 |
| | 1,202,335 | 895,796 |

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>US$ | 2017<br>US$ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 16,289 | 8,809 |
| Intangible assets | 12 | - | 4,021 |
| Prepayments, deposits and other receivables | 15 | 28,716 | 7,537 |
| Total non-current assets | | 45,005 | 20,367 |
| CURRENT ASSETS | | | |
| Inventories | 13 | 410 | 4,266 |
| Trade and bills receivables | 14 | 7,877,592 | 2,883,304 |
| Prepayments, deposits and other receivables | 15 | 83,923 | 85,916 |
| Due from fellow subsidiaries | 22(b) | 255,224 | 188,417 |
| Tax recoverable | | 998 | 6,814 |
| Cash and cash equivalents | | 766,910 | 482,765 |
| Total current assets | | 8,985,057 | 3,651,482 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | | 2,862,573 | 360,907 |
| Other payables, accruals and receipts in advance | 16 | 308,466 | 210,032 |
| Due to the immediate holding company | 22(b) | 61,200 | 20,400 |
| Due to a non-controlling shareholder | 22(b) | 58,800 | - |
| Due to fellow subsidiaries | 22(b) | 196,807 | 369,801 |
| Due to a related company | 22(c) | 1,044,851 | 131,504 |
| Interest-bearing bank borrowings | 17 | 1,648,495 | 230,670 |
| Total current liabilities | | 6,181,192 | 1,323,314 |
| NET CURRENT ASSETS | | 2,803,865 | 2,328,168 |
| Net assets | | 2,848,870 | 2,348,535 |

continued/...

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2018

| | Notes | 2018<br>US$ | 2017<br>US$ |
|---|---|---|---|
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 19 | 1,000,000 | 1,000,000 |
| Reserves | 20 | 1,727,930 | 1,284,142 |
| | | 2,727,930 | 2,284,142 |
| **Non-controlling interest** | | 120,940 | 64,393 |
| Total equity | | 2,848,870 | 2,348,535 |

.....
Berstein Jauregui Sebastian Felipe
Director

.....
Pallak Seth
Director

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital US$ | Exchange reserve US$ | Retained profits US$ | Total US$ | Non-controlling interest US$ | Total equity US$ |
| At 1 April 2016 | 1,000,000 | ( 49,923) | 1,290,755 | 2,240,832 | 51,907 | 2,292,739 |
| Profit for the year | - | - | 902,114 | 902,114 | 14,039 | 916,153 |
| Other comprehensive income for the year: | | | | | | |
| Exchange difference on translation of foreign operations | - | ( 18,804) | - | ( 18,804) | ( 1,553) | ( 20,357) |
| Total comprehensive income for the year | - | ( 18,804) | 902,114 | 883,310 | 12,486 | 895,796 |
| Final 2016 dividend declared | - | - | ( 840,000) | ( 840,000) | - | ( 840,000) |
| At 31 March 2017 and at 1 April 2017 | 1,000,000 | ( 68,727)* | 1,352,869* | 2,284,142 | 64,393 | 2,348,535 |
| Profit for the year | - | - | 1,140,329 | 1,140,329 | 56,949 | 1,197,278 |
| Other comprehensive income for the year: | | | | | | |
| Exchange difference on translation of foreign operations | | 5,459 | - | 5,459 | ( 402) | 5,057 |
| Total comprehensive income for the year | - | 5,459 | 1,140,329 | 1,145,788 | 56,547 | 1,202,335 |
| Interim 2017 dividend declared | | | ( 482,000) | ( 482,000) | - | ( 482,000) |
| Final 2017 dividend declared | | | ( 220,000) | ( 220,000) | - | ( 220,000) |
| At 31 March 2018 | 1,000,000 | ( 63,268)* | 1,791,198* | 2,727,930 | 120,940 | 2,848,870 |

* These reserve accounts comprise the consolidated reserves of US$1,727,930 (2017: US$1,284,142) in the consolidated statement of financial position.

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | 2018 US$ | 2017 US$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 1,197,278 | 740,017 |
| Adjustments for: | | | |
| Finance costs | 8 | 16,654 | 29,306 |
| Interest income | 5 | ( 12,086) | ( 13,879) |
| Depreciation | 6 | 3,555 | 3,324 |
| Fair value gain on a financial asset at fair value through profit or loss | 5 | - | ( 2,245) |
| Write-down of inventories to net realisable value | 6 | - | 4,248 |
| Impairment of intangible assets | 6 | 4,189 | - |
| Impairment of trade receivables | 6 | 12,755 | - |
| | | 1,222,345 | 760,771 |
| Decrease in inventories | | 4,055 | 21,326 |
| Increase in trade and bills receivables | | ( 5,013,002) | ( 922,133) |
| Decrease/(increase) in prepayments, deposits and other receivables | | ( 11,890) | 29,074 |
| Increase in amounts due from fellow subsidiaries | | ( 66,807) | ( 188,417) |
| Decrease in an amount due from a related company | | - | 207,846 |
| Increase/(decrease) in trade and bills payables | | 2,501,666 | ( 317,755) |
| Increase/(decrease) in other payables, accruals and receipts in advance | | ( 27,808) | 56,340 |
| Increase in an amount due to a related company | | 913,347 | 131,504 |
| Increase in an amount due to the immediate holding company | | 40,800 | 20,400 |
| Increase in an amount due to a non-controlling shareholder | | 58,800 | - |
| Increase/(decrease) in amounts due to fellow subsidiaries | | ( 172,994) | 318,120 |
| Cash generated from/(used in) operations | | ( 551,488) | 117,076 |
| Interest received | | 12,086 | 13,879 |
| Overseas tax refunded/(paid) | | 6,151 | ( 2,413) |
| Net cash flows from/(used in) operating activities | | ( 533,251) | 128,542 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | 11 | ( 9,921) | ( 4,258) |
| Proceed from the disposal of a financial asset at fair value through profit or loss | | - | 197,645 |
| Net cash flows from/(used in) investing activities | | ( 9,921) | 193,387 |

continued/...

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2018

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | ( 16,654) | ( 29,306) |
| Dividends paid | ( 582,000) | ( 840,000) |
| Proceeds from interest-bearing bank borrowings | 5,477,502 | 4,732,765 |
| Repayments of interest-bearing bank borrowings | ( 4,059,677) | ( 4,502,095) |
| Net cash flows from/(used in) financing activities | 819,171 | ( 638,636) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 275,999 | ( 316,707) |
| Cash and cash equivalents at beginning of year | 482,765 | 808,065 |
| Effect of foreign exchange rate changes, net | 8,146 | ( 8,593) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 766,910 | 482,765 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 766,910 | 482,765 |

## 1. CORPORATE AND GROUP INFORMATION

PG Group Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 9/F, Surson Commercial Building, 140-142 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the year, the Company was primarily engaged in the trading of home and garment products, and investment holding.

The Company is a subsidiary of Multinational Textile Group Limited, a company incorporated in Mauritius. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Information about subsidiaries

Particulars of the Company's subsidiaries as at the end of the reporting period are as follows:

| Name | Place of incorporation/ registration and operations | Nominal value of issued ordinary share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| PG Home Group Limited | Hong Kong | US$250,000 | 90 | - | Trading of home and garment products, and investment holding |
| PG Home Group S.P.A.# | Chile | Chilean Pesos 3,000,000 | - | 90 | Sales and marketing |
| PG Shanghai Manufacturer Co. Ltd.# | Shanghai | US$200,025 | 100 | - | Provision of sourcing services |

# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in United States dollars ("US$").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of its subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of its subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICLIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[5] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption
[5] Apply to plan amendments, curtailments or settlements that occur on or after 1 January 2019

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

In September 2014, the HKICPA issued the final version of HKFRS 9, which reflects all phases of the financial instruments project and replaces HKAS 39 and all previous versions of HKFRS 9. Under HKFRS 9, a debt instrument is measured at amortised cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. In addition, the standard requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, The Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its deposits, other receivables and amounts due from fellow subsidiaries within the next twelve months.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the Group's overall financial performance and financial position upon initial application. Moreover, the Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 was issued in July 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and reduce the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16 was issued in May 2016 and replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees that they can elect as practical expedients – leases of low-value assets and short-term leases (i.e., where the lease term is 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40 *Investment Property*. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. HKFRS 16 also requires lessees to make more extensive disclosures than under HKAS 17. The Group expects to adopt HKFRS 16 on 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
   (i) the entity and the Group are members of the same group;
   (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
   (iii) the entity and the Group are joint ventures of the same third party;
   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
   (vi) the entity is controlled or jointly controlled by a person identified in (a);
   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates/estimated useful lives used for this purpose are as follows:

| | |
|---|---|
| Leasehold improvements | Over the lease terms |
| Furniture and fixtures | 10% - 33⅓% |
| Office equipment | 10% - 33⅓% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The Group's brand name and merchandise license are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Financial instruments

*Initial recognition and measurement*

Financial assets of the Group are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the actual basis and comprises invoiced value of purchases, freight and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalnets comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition
Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method.

Employee benefits
*Retirement benefit costs*
The Group operates a mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Chile and Mainland China are required to participate in central pension schemes operated by the respective local municipal governments. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective central pension schemes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in US$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of overseas subsidiaries are currencies other than US$. As at the end of the reporting period, the assets and liabilities of the subsidiaries are translated into US$ at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss are translated into US$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

## 5. REVENUE, OTHER INCOME AND GAIN

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of other income and gain is as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Bank interest income | 112 | 367 |
| Interest income from a related party | 11,974 | 13,512 |
| Compensation from suppliers for late shipments | 20,891 | 28,804 |
| Fair value gain on a financial asset at fair value through profit or loss | - | 2,245 |
| Others | 2,197 | 116 |
| | 35,174 | 45,044 |

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | Notes | 2018<br>US$ | 2017<br>US$ |
|---|---|---|---|
| Cost of inventories sold | | 24,525,214 | 19,377,670 |
| Depreciation | | 3,555 | 3,324 |
| Minimum lease payments under operating leases | | 120,495 | 121,277 |
| Auditor's remuneration | | 29,825 | 17,164 |
| Employee benefit expense (excluding directors' remuneration (note 7)): | | | |
| Salaries and allowances | | 1,064,422 | 801,341 |
| Pension scheme contributions (defined contribution scheme) | | 272,702 | 209,954 |
| | | 1,337,124 | 1,011,295 |
| Foreign exchange differences, net | | 5,289 | 2,738 |
| Impairment of intangible assets* | 12 | 4,189 | - |
| Impairment of trade receivables | 14 | 12,755 | - |
| Write-down of inventories to net realisable value | | - | 4,248 |

* The impairment of intangible assets is included in "Selling and administrative expenses" in the consolidated statement of profit or loss.

## 7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Fees | - | - |
| Other emoluments: | | |
| Salaries and allowances | 144,224 | 129,460 |
| Pension scheme contributions | 2,192 | 2,082 |
| | 146,416 | 131,542 |

## 8. FINANCE COSTS

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Interest on interest-bearing bank borrowings | 16,654 | 29,306 |

## 9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Current - Hong Kong | | |
| Overprovision in the prior year | - | ( 408,601) |
| Deferred tax (note 18) | - | 232,465 |
| Total tax credit for the year | - | ( 176,136) |

A reconciliation of the tax credit applicable to profit before tax at the Hong Kong statutory tax rate to the tax credit at the effective tax rate is as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Profit before tax | 1,197,278 | 740,017 |
| Tax charge at the Hong Kong statutory tax rate of 16.5% (2017: 16.5%) | 197,551 | 122,103 |
| Difference in tax rates applied for specific provinces or local authority | ( 231) | ( 5,147) |
| Adjustments in respect of current tax of previous periods | - | ( 408,601) |
| Income not subject to tax | ( 198,113) | ( 139,497) |
| Expenses not deductible for tax | 5,951 | 1,838 |
| Tax losses not recognised | - | 20,703 |
| Tax losses utilised from previous periods | ( 5,158) | - |
| Others | - | 232,465 |
| Tax at the effective tax rate | - | ( 176,136) |

9. INCOME TAX (continued)

As at the end of the reporting period, a subsidiary of the Group had unused tax losses arising in Mainland China of US$5,290 (2017: US$19,436), that will expire in five years for offsetting against future taxable profits of that subsidiary. Another overseas subsidiary of the Group also had tax losses arising in Chile of US$874,458 (2017: US$809,178), that are available indefinitely for offsetting against future taxable profits of that subsidiary.

At the end of the reporting period, deferred tax assets have not been recognised in respect of the unused tax losses of US$879,748 (2017: US$828,614), which are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these unused tax losses items as it is not considered probable that taxable profits will be available against which these unused tax losses can be utilised.

10. DIVIDENDS

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Interim - US$0.482 (2017: Nil) per ordinary share | 482,000 | - |
| Final - US$0.22 (2017: US$0.84) per ordinary share | 220,000 | 840,000 |
| | 702,000 | 840,000 |

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements US$ | Furniture and fixtures US$ | Office equipment US$ | Total US$ |
|---|---|---|---|---|
| **31 March 2018** | | | | |
| At 31 March 2017 and 1 April 2017: | | | | |
| Cost | 40,720 | 64,034 | 77,855 | 182,609 |
| Accumulated depreciation | ( 40,720) | ( 63,628) | ( 69,452) | ( 173,800) |
| Net carrying amount | - | 406 | 8,403 | 8,809 |
| At 1 April 2017, net of accumulated depreciation | - | 406 | 8,403 | 8,809 |
| Additions | - | 789 | 9,132 | 9,921 |
| Depreciation provided during the year | - | ( 250) | ( 3,305) | ( 3,555) |
| Exchange realignment | - | ( 54) | 1,168 | 1,114 |
| At 31 March 2018, net of accumulated depreciation | - | 891 | 15,398 | 16,289 |
| At 31 March 2018: | | | | |
| Cost | 40,720 | 65,179 | 89,843 | 195,742 |
| Accumulated depreciation | ( 40,720) | ( 64,288) | ( 74,445) | ( 179,453) |
| Net carrying amount | - | 891 | 15,398 | 16,289 |

11. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Leasehold improvements US$ | Furniture and fixtures US$ | Office equipment US$ | Total US$ |
|---|---|---|---|---|
| **31 March 2017** | | | | |
| At 1 April 2016: | | | | |
| Cost | 40,720 | 64,232 | 74,936 | 179,888 |
| Accumulated depreciation | ( 40,720) | ( 63,736) | ( 67,433) | ( 171,889) |
| Net carrying amount | - | 496 | 7,503 | 7,999 |
| At 1 April 2016, net of accumulated depreciation | - | 496 | 7,503 | 7,999 |
| Additions | - | - | 4,159 | 4,159 |
| Depreciation provided during the year | - | ( 173) | ( 3,151) | ( 3,324) |
| Exchange realignment | - | 83 | ( 108) | ( 25) |
| At 31 March 2017, net of accumulated depreciation | - | 406 | 8,403 | 8,809 |
| At 31 March 2017: | | | | |
| Cost | 40,720 | 64,034 | 77,855 | 182,609 |
| Accumulated depreciation | ( 40,720) | ( 63,628) | ( 69,452) | ( 173,800) |
| Net carrying amount | - | 406 | 8,403 | 8,809 |

## 12. INTANGIBLE ASSETS

| | Merchandise license US$ | Brand name US$ | Total US$ |
|---|---|---|---|
| **31 March 2018** | | | |
| At 31 March 2017 and 1 April 2017: | | | |
| Cost | 8,359 | 4,021 | 12,380 |
| Accumulated amortisation and impairment | ( 8,359) | - | ( 8,359) |
| Net carrying amount | - | 4,021 | 4,021 |
| At 1 April, 2017, net of accumulated amortisation and impairment | - | 4,021 | 4,021 |
| Impairment | - | ( 4,189) | ( 4,189) |
| Exchange realignment | - | 168 | 168 |
| At 31 March 2018, net of accumulated amortisation and impairment | - | - | - |
| At 31 March 2018: | | | |
| Cost | 8,359 | 4,021 | 12,380 |
| Accumulated amortisation and impairment | ( 8,359) | ( 4,021) | ( 12,380) |
| Net carrying amount | - | - | - |
| **31 March 2017** | | | |
| At 1 April 2016: | | | |
| Cost | 8,359 | 3,977 | 12,336 |
| Accumulated amortisation and impairment | ( 8,359) | - | ( 8,359) |
| Net carrying amount | - | 3,977 | 3,977 |
| At 1 April, 2016, net of accumulated amortisation and impairment | - | 3,977 | 3,977 |
| Exchange realignment | - | 44 | 44 |
| At 31 March 2017, net of accumulated amortisation | - | 4,021 | 4,021 |
| At 31 March 2017: | | | |
| Cost | 8,359 | 4,021 | 12,380 |
| Accumulated amortisation and impairment | ( 8,359) | - | ( 8,359) |
| Net carrying amount | - | 4,021 | 4,021 |

## 13. INVENTORIES

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Finished goods | 410 | 4,266 |

## 14. TRADE AND BILLS RECEIVABLES

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Trade receivables | 2,703,490 | 503,753 |
| Bills receivable | 1,928,451 | 700,845 |
| Amount due from a related party | 3,258,406 | 1,678,706 |
| Less: Impairment | ( 12,755) | - |
| | 7,877,592 | 2,883,304 |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade and bills receivables are non-interest-bearing and are on credit terms of 30 to 120 days. The Group seeks to maintain strict control over their outstanding receivables and overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances.

The movements in provision for impairment of trade and bills receivables are as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| At beginning of year | - | - |
| Impairment losses recognised (note 6) | 12,755 | - |
| At end of year | 12,755 | - |

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$12,755 with a carrying amount before provision of HK$12,755.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payments and the receivables were not expected to be recovered.

## 14. TRADE AND BILLS RECEIVABLES (continued)

An aging analysis of the trade and bill receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Neither past due nor impaired | 96,692 | 1,393,483 |
| Past due but not impaired: | | |
| Less than one month | 2,061,852 | 1,196,730 |
| One to three months | 5,700,922 | 290,657 |
| Over three months | 18,126 | 2,434 |
| | 7,877,592 | 2,883,304 |

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at the end of the reporting period, included in the Group's trade receivables of US$3,258,406 (2017: US$1,678,706) is an amount due from Grupo Extremo SUR S.A. ("Grupo"), a related company as detailed in note 22(c), which is repayable on credit terms similar to those offered to the major customers of the Group.

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Prepayments | 70,725 | 61,529 |
| Deposits | 22,783 | 23,881 |
| Other receivables | 19,131 | 8,043 |
| | 112,639 | 93,453 |
| Less: Portion classified as non-current | ( 28,716) | ( 7,537) |
| | 83,923 | 85,916 |

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no history of default.

## 16. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Accruals | 115,670 | 51,700 |
| Accrued employee benefits | 3,875 | 4,504 |
| Other payables | 176,801 | 105,521 |
| Dividend payable | - | 39,200 |
| Receipts in advance | 12,120 | 9,107 |
| | 308,466 | 210,032 |

Other payables are non-interest-bearing and have an average term of three months.

## 17. INTEREST-BEARING BANK BORROWINGS

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Import loans | 1,648,495 | 230,670 |

The import loans as at 31 March 2018 were denominated in US$, interest-bearing at 3.09%-3.83% (2017: 2.36%-2.98%) per annum and were repayable within one to two months.

The interest-bearing bank borrowings are guaranteed by the immediate holding company and a director of the Company.

## 18. DEFERRED TAX ASSETS

| | Losses available for offsetting against future taxable profits<br>US$ |
|---|---|
| At 1 April 2016 | 229,808 |
| Deferred tax charged to profit or loss during the year (note 9) | ( 232,465) |
| Exchange realignment | 2,657 |
| At 31 March 2017, 1 April 2017 and 31 March 2018 | - |

## 19. SHARE CAPITAL

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Issued and fully paid:<br>1,000,000 ordinary shares | 1,000,000 | 1,000,000 |

## 20. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 10 of the financial statements.

## 21. OPERATING LEASE ARRANGEMENT

The Group leases its office premises under an operating lease arrangement. The lease for the premises is negotiated for a term of two years.

At the end of the reporting period, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| Within one year | 97,445 | 59,610 |
| In the second to fifth years, inclusive | 66,990 | - |
| | 164,435 | 59,610 |

## 22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

| | Notes | 2018<br>US$ | 2017<br>US$ |
|---|---|---|---|
| Immediate holding company: | | | |
| Management fees paid | (i) | 17,500 | 16,350 |
| A fellow subsidiary: | | | |
| Consultancy fees paid | (ii) | 261,680 | 247,894 |
| A related company: | | | |
| Sales of goods | (iii) | 15,486,394 | 12,438,888 |
| Commissions paid | (iv) | 1,477,751 | 594,523 |
| Interest income | (v) | 11,953 | 13,512 |

Notes:

(i) The management fees paid were charged at rates mutually agreed between the Group and the immediate holding company.

(ii) The consultancy fees paid were charged at rates mutually agreed between the Group and the fellow subsidiary.

(iii) The sales of goods were made based on terms and conditions mutually agreed between the Group and the related company.

(iv) The commissions paid were related to sourcing services received and were charged at rates mutually agreed between the Group and the related company.

(v) The interest income received from a related company was charged at a rate mutually agreed between the Group and the related company.

(b) Outstanding balances with related parties

The balances with fellow subsidiaries, the immediate holding company and a non-controlling shareholders are unsecured, interest-free and repayable on demand.

22. RELATED PARTY TRANSACTIONS (continued)

(c) Particulars of amounts due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

| Name | 31 March 2018 US$ | Maximum amount outstanding during the year US$ | 31 March 2017 US$ | Maximum amount outstanding during the year | 1 April 2016 US$ |
|---|---|---|---|---|---|
| Trade receivables from Grupo (note 14) | 3,258,406 | 3,761,356 | 1,678,706 | 2,875,760 | 570,310 |
| Due to Grupo | ( 1,044,851) | ( 1,351,556) | ( 131,504) | ( 197,302) | 207,846 |
| | 2,213,555 | | 1,547,202 | | 778,156 |

The related company is a wholly-owned subsidiary of GES Corp. HK Limited, which is a shareholder of the Company.

(d) Compensation of key management personnel of the Group represented directors' remuneration as disclosed in note 7 to the financial statements.

23. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Group comprise trade and bills receivables, deposits and other receivables, amounts due from fellow subsidiaries, and cash and cash equivalents, which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Group comprise trade and bill payables, financial liabilities included in other payables, accruals and receipts in advance, interest-bearing bank borrowings, and amounts due to the immediate holding company, fellow subsidiaries, a related company and a non-controlling shareholder, which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

## 24. FAIR VALUE OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transaction. The fair values of trade and bills receivables, deposits and other receivables, amounts due from fellow subsidiaries, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables, accruals and receipts in advance, interest-bearing bank borrowings, and amounts due to the immediate holding company, fellow subsidiaries, a related company and a non-controlling shareholder, approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Group did not have any financial assets and financial liabilities measured at fair value as at the end of each reporting period.

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

*Credit risk*

The aggregate carrying amount of cash and cash equivalents, trade and bills receivables, deposits and other receivables, and amounts due from fellow subsidiaries represents the Group's maximum exposure to credit risk in relation to financial assets. The Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Group has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. The maximum exposure for trade and bills receivables is the carrying amount as disclosed in note 14 to the financial statements. At the end of the reporting period, the Group had certain concentrations of credit risks as 41% (2017: 58%) and 84% (2017: 86%) of the Group's trade and bills receivables were due from the Group's largest single customer and five largest customers, respectively.

*Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either are repayable on demand or are repayable within three months subsequent to the end of the reporting period.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to the shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

## 27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 847 | 847 |
| Investments in subsidiaries | 425,025 | 425,025 |
| Total non-current assets | 425,872 | 425,872 |
| CURRENT ASSETS | | |
| Trade and bills receivables | 6,704,544 | 2,459,247 |
| Prepayments and other receivables | 14,142 | 13,419 |
| Due from fellow subsidiaries | 255,224 | 188,417 |
| Due from a subsidiary | 20,769 | 24,109 |
| Cash and cash equivalents | 451,814 | 352,960 |
| Total current assets | 7,446,493 | 3,038,152 |
| CURRENT LIABILITIES | | |
| Trade and bills payables | 2,399,277 | 325,363 |
| Other payables, accruals and receipts in advance | 111,968 | 81,784 |
| Due to the immediate holding company | 61,200 | 20,400 |
| Due to a non-controlling shareholder | 58,800 | - |
| Due to fellow subsidiaries | 196,807 | 369,801 |
| Due to a related company | 1,044,851 | 131,504 |
| Due to a subsidiary | 114,624 | 2,701 |
| Interest-bearing bank borrowings | 1,648,495 | 230,670 |
| Total current liabilities | 5,636,022 | 1,162,223 |
| NET CURRENT ASSETS | 1,810,471 | 1,875,929 |
| Net assets | 2,236,343 | 2,301,801 |

continued/...

27. STATEMENT OF FINANCIAL POSITION OF THE GROUP (continued)

Information about the statement of financial position of The Group at the end of the reporting period is as follows: (continued)

| | 2018<br>US$ | 2017<br>US$ |
|---|---|---|
| EQUITY | | |
| Share capital | 1,000,000 | 1,000,000 |
| Retained profits (note) | 1,236,343 | 1,301,801 |
| Total equity | 2,236,343 | 2,301,801 |

Berstein Jauregui Sebastian Felipe
Director

Pallak Seth
Director

## 27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's retained profits is as follows:

| | Retained profits US$ |
|---|---|
| At 1 April 2016 | 1,410,859 |
| Profit and total comprehensive income for the year | 730,942 |
| Final 2016 dividend declared | ( 840,000) |
| At 31 March 2017 and at 1 April 2017 | 1,301,801 |
| Profit and total comprehensive income for the year | 636,542 |
| Interim 2017 dividend declared | ( 482,000) |
| Final 2017 dividend declared | ( 220,000) |
| At 31 March 2018 | 1,236,343 |

## 28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 May 2018.

Report of the Directors and Audited Financial Statements

DESIGN ARC ASIA LIMITED

31 March 2018

CERTIFIED TRUE COPY

ERNST & YOUNG

EY 安永

Building a better working world

DESIGN ARC ASIA LIMITED

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DESIGN ARC ASIA LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

Principal activities
The Company was principally involved in the trading of garments.

Results
The Company's profit for the year ended 31 March 2018 and its financial position at that date are set out in the financial statements on pages 5 to 25.

Directors
The directors of the Company during the year were:

Deepak Kumar Seth
Payel Seth
Rakesh Chadha

In accordance with Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests
At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors
Ernst & Young retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

.....
Chairman

Hong Kong
29 May 2018

**Independent auditor's report**
**To the members of Design Arc Asia Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the financial statements of Design Arc Asia Limited (the "Company") set out on pages 5 to 25, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") relevant to these financial statements and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the financial statements**
The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable HKFRSs issued by the HKICPA that are relevant to these financial statements and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibilities of the directors for the financial statements** (continued)
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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 May 2018

DESIGN ARC ASIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| REVENUE | 4 | 174,334,396 | 2,943,567 |
| Cost of sales | | ( 143,621,651) | ( 2,868,801) |
| Gross profit | | 30,712,745 | 74,766 |
| Other income and gains | 4 | 1,555,792 | - |
| Selling and distribution costs | | ( 15,293,231) | ( 6,198) |
| Administrative expenses | | ( 3,872,227) | ( 63,559) |
| Other operating expenses | | ( 82,237) | ( 4,660,288) |
| Finance costs | 6 | ( 728,491) | - |
| PROFIT/(LOSS) BEFORE TAX | 5 | 12,292,351 | ( 4,655,279) |
| Income tax expense | 8 | - | - |
| PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | 12,292,351 | ( 4,655,279) |

DESIGN ARC ASIA LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSET | | | |
| Property, plant and equipment | 9 | 13,114 | - |
| CURRENT ASSETS | | | |
| Trade receivables | 10 | 46,203,082 | 2,411,461 |
| Prepayments | | 79,295 | 583 |
| Due from a non-controlling shareholder | 13(b) | 116,700 | 116,700 |
| Cash and cash equivalents | | 20,125,368 | 555,218 |
| Total current assets | | 66,524,445 | 3,083,962 |
| CURRENT LIABILITIES | | | |
| Trade payables | | 37,336,169 | 532,203 |
| Accruals | | 113,175 | 29,219 |
| Interest-bearing bank borrowings | 11 | 8,346,143 | - |
| Due to the immediate holding company | 13(b) | 11,770,990 | 7,768,642 |
| Due to fellow subsidiaries | 13(b) | 1,924,833 | - |
| Total current liabilities | | 59,491,310 | 8,330,064 |
| NET CURRENT ASSETS/(LIABILITIES) | | 7,033,135 | ( 5,246,102) |
| Net assets/(liabilities) | | 7,046,249 | ( 5,246,102) |
| EQUITY | | | |
| Share capital | 12 | 778,000 | 778,000 |
| Retain profits/(accumulated losses) | | 6,268,249 | ( 6,024,102) |
| Total equity/(net deficiency in assets) | | 7,046,249 | ( 5,246,102) |

Payel Seth
Director

Deepak Kumar Seth
Director

DESIGN ARC ASIA LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Share capital HK$ | Retain profit/ (accumulated losses) HK$ | Total equity/ (net deficiency in assets) HK$ |
|---|---|---|---|
| At 1 April 2016 | 778,000 | ( 1,368,823) | ( 590,823) |
| Loss and total comprehensive loss for the year | - | ( 4,655,279) | ( 4,655,279) |
| At 31 March 2017 and at 1 April 2017 | 778,000 | ( 6,024,102) | ( 5,246,102) |
| Profit and total comprehensive income for the year | - | 12,292,351 | 12,292,351 |
| At 31 March 2018 | 778,000 | 6,268,249 | 7,046,,249 |

DESIGN ARC ASIA LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Note | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | | 12,292,351 | ( 4,655,279) |
| Adjustments for: | | | |
| Depreciation | 5 | 3,746 | - |
| Finance costs | 6 | 728,491 | - |
| Impairment of an investment in a subsidiary | | - | 101,140 |
| Impairment of an amount due from a subsidiary | | - | 4,559,148 |
| | | 13,024,588 | 5,009 |
| Increase in trade receivables | | ( 43,791,621) | ( 2,411,461) |
| Increase in prepayments | | ( 78,712) | ( 583) |
| Increase in trade payables | | 36,803,966 | 532,203 |
| Increase in accruals | | 83,956 | - |
| Increase in an amount due to the immediate holding company | | 4,002,348 | 2,424,687 |
| Increase in amounts due to fellow subsidiaries | | 1,924,833 | - |
| Cash generated from operations | | 11,969,358 | 549,855 |
| Interest paid | | ( 728,491) | - |
| Net cash flows from operating activities | | 11,240,867 | 549,855 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | ( 16,860) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from bank loans | | 8,346,143 | - |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 19,570,150 | 549,855 |
| Cash and cash equivalents at beginning of year | | 555,218 | 5,363 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 20,125,368 | 555,218 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 20,125,368 | 555,218 |

## 1. CORPORATE INFORMATION

Design Arc Asia Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the year, the Company was principally involved in the trading of garments and investment holding.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Information about subsidiaries
Particulars of the Company's subsidiary as at 31 March 2018 are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company 2018 | 2017 | Principal activities |
|---|---|---|---|---|---|
| Direct subsidiaries | | | | | |
| NOR France SAS* | France | Euro ("EUR")10,000 | 100% | 100% | Trading of garment products |

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst &Young global network.

## 2.1 BASIS OF PREPARATION

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance that are relevant to the preparation of company level financial statements by an intermediate parent company.

## 2.1 BASIS OF PREPARATION (continued)

As the Company is a holding company that is a partially owned subsidiary of another body corporate and has satisfied the exemption criteria set out in section 379(3)(b) of the Hong Kong Companies Ordinance, it is not required to prepare consolidated financial statements

Given the above, these financial statements are not prepared for the purposes of compliance with HKFRS 10 "Consolidated Financial Statements", so far as the preparation of consolidated financial statements of the Company and its subsidiary (together, the "Group") is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the Company of which the Company is the parent. Furthermore, as these financial statements are prepared in respect of the Company only, HKFRS 12 "Disclosure of Interests in Other Entities" does not apply to the financial statements.

The financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$").

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[2] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

The Company is in the process of making an assessment of the impact of the revised HKFRSs upon initial application but not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's financial performance and financial position.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated principal annual rate used for office equipment is 33%.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Financial assets

*Initial recognition and measurement*

Financial assets of the Company are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

These financial statements are presented in HK$, which is the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

*Impairment of loans and receivables*

The Company assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Company considers factors including, inter alia, the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments as well as other arrangements and available information.

## 4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold.

An analysis of the Company's other income and gains is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Design and consultancy fee | 875,028 | - |
| Penalty on suppliers | 571,163 | - |
| Interest income | 2 | |
| Others | 109,599 | - |
| | 1,555,792 | - |

## 5. PROFIT/(LOSS) BEFORE TAX

The Company's profit/(loss) before tax is arrived at after charging:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Cost of inventories sold | 143,621,651 | 2,868,801 |
| Auditor's remuneration | 35,000 | 15,000 |
| Foreign exchange differences, net | 78,491 | 73 |
| Depreciation | 3,746 | - |
| Impairment of an investment in a subsidiary | - | 101,140 |
| Impairment of an amount due from a subsidiary | - | 4,559,148 |
| Employee benefit expense (excluding directors' remuneration (note 7)): | | |
| Salaries and allowances | 30,389 | - |

## 6. FINANCE COSTS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest on bank overdraft | 679,770 | - |
| Others | 48,721 | - |
| | 728,491 | - |

## 7. DIRECTORS' REMUNERATION

The Company's directors did not receive any fees or emoluments in respect of their services rendered to the Company during the year (2017: Nil).

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the Hong Kong statutory rate to the tax credit at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate of 16.5% (2017:16.5%)) to the effective tax rate, are as follows:

| | 2018 HK$ | % | 2017 HK$ | % |
|---|---|---|---|---|
| Profit/(loss) before tax | 12,292,351 | | ( 4,655,279) | |
| Tax expense/(credit) at the statutory tax rate (2017: 16.5%) | 2,028,238 | 16.5 | ( 768,121) | 16.5 |
| Income not subject to tax | ( 5,324,309) | ( 43.3) | - | - |
| Expenses not deductible for tax | 3,296,071 | 26.8 | 768,121 | (16.5) |
| Tax at the effective tax rate | - | - | - | - |

There was no unprovided deferred tax in respect of the year and as at the end of the reporting period (2017: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment HK$ |
|---|---|
| **31 March 2018** | |
| At 1 April 2016, 31 March 2017 and 1 April 2017, net of accumulated depreciation | - |
| Additions | 16,860 |
| Depreciation provided during the year | ( 3,746) |
| At 31 March 2018, net of accumulated depreciation | 13,114 |
| At 31 March 2018: | |
| Cost | 16,860 |
| Accumulated depreciation | ( 3,746) |
| Net carrying amount | 13,114 |

## 10. TRADE RECEIVABLES

The Company's trading terms with its customers are mainly on credit. The credit period is generally two months. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018 HK$ | 2017 HK$ |
|---|---|---|
| Neither past due nor impaired | 36,383,182 | 2,411,461 |
| Past due but not impaired: | | |
| Less than one month | 7,011,068 | - |
| One to three months | 1,393,481 | - |
| Over three months | 1,415,351 | - |
| | 46,203,082 | 2,411,461 |

Receivables that were neither past due nor impaired relate to a few customers for whom there was no recent history of default.

10. TRADE RECEIVABLES (continued)

Receivables that were past due but not impaired relate to a number of customers that have had a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. INTEREST-BEARING BANK BORROWINGS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Trust receipt loans | 8,346,143 | - |

The trust receipt loans as at 31 March 2018 were denominated in United States dollars ("US$"), interest-bearing at cost of funding plus 2.25% per annum and will be matured in April 2018.

The Company's interest-bearing bank borrowings are secured by guarantees from the intermediate holding company and directors of the immediate holding company.

12. SHARE CAPITAL

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Issued and fully paid:<br>100,000 (2017: 100,000) ordinary shares | 778,000 | 778,000 |

13. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Fellow subsidiaries: | | | |
| Marketing fees paid | (i) | 6,030,385 | - |
| Service fees received | (ii) | 1,203,091 | |

13. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Note:

(i) The marketing fees paid were related to the provision of marketing services provided by fellow subsidiaries and were based on terms mutually agreed between the Company and the respective fellow subsidiaries or the immediate holding company.

(ii) The service fees received were charged based on terms mutually agreed between the Group and the respective fellow subsidiaries.

(b) The balances with the immediate holding company, fellow subsidiaries and a non-controlling shareholder are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 7 to the financial statements.

14. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, amount due from a non-controlling shareholder, and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statements of financial position.

The financial liabilities of the Company comprise trade payables, financial liabilities included in accruals, interest-bearing bank borrowings and amounts due to affiliates which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statements of financial position.

15. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade receivables, amount due from a non-controlling shareholder, cash and cash equivalents, trade payables, financial liabilities included in accruals and amounts due to affiliates approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at 31 March 2018 (31 March 2017: Nil).

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

*Credit risk*

The carrying amounts of trade receivables, amounts due from a subsidiary and a non-controlling shareholder and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. The maximum exposure for trade and bills receivables is the carrying amount as disclosed in note 10 to the financial statements.

*Liquidity risk*

In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

*Capital management*

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to its shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

## 17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2018.

Report of the Directors and Audited Financial Statements

FX IMPORT HONG KONG LIMITED

31 March 2018

CERTIFIED TRUE COPY

ERNST & YOUNG

EY 安永

Building a better working world

FX IMPORT HONG KONG LIMITED

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FX IMPORT HONG KONG LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

Principal activity

The principal activity of the Company is the trading of garments. There was no significant change in the nature of the Company's principal activity during the year.

Results and dividends

The Company's profit for the year ended 31 March 2018 and its financial position at that date are set out in the financial statements on pages 6 to 29.

The directors do not recommend the payment of any dividend in respect of the year.

Directors

The directors of the Company during the year were:

Deepak Kumar Seth
Pallak Seth
Payel Seth

In accordance with articles 86(2) and 88(1) of the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

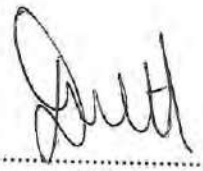
Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies or fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



.....

Deepak Kumar Seth
Chairman

Hong Kong
25 May 2018

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**Independent auditor's report**
**To the member of FX Import Hong Kong Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the financial statements of FX Import Hong Kong Limited (the "Company") set out on pages 6 to 29, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the financial statements**
The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.



Member firm of Ernst & Young Global Limited

**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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
25 May 2018

FX IMPORT HONG KONG LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| REVENUE | 4 | 84,943,547 | 87,179,416 |
| Cost of sales | | ( 67,195,797) | ( 67,819,017) |
| Gross profit | | 17,747,750 | 19,360,399 |
| Other income | 4 | 804,461 | 72,371 |
| Selling and distribution expenses | | ( 9,567,565) | ( 13,110,974) |
| Administrative expenses | | ( 7,783,611) | ( 7,448,061) |
| Other operating expenses | | ( 148,652) | ( 80,920) |
| Finance costs | 5 | ( 123,625) | - |
| PROFIT/(LOSS) BEFORE TAX | 6 | 928,758 | ( 1,207,185) |
| Income tax expense | 7 | - | - |
| PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | 928,758 | ( 1,207,185) |

FX IMPORT HONG KONG LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 65,562 | 46,494 |
| Deposits | 11 | 102,083 | 12,966 |
| Total non-current assets | | 167,645 | 59,460 |
| CURRENT ASSETS | | | |
| Trade receivables | 10 | 8,299,513 | 7,060,924 |
| Prepayments, deposits and other receivables | 11 | 2,731,581 | 447,839 |
| Due from a fellow subsidiary | 17(b) | 2,515,554 | 2,207,027 |
| Cash and cash equivalents | | 2,972,010 | 3,031,332 |
| Total current assets | | 16,518,658 | 12,747,122 |
| CURRENT LIABILITIES | | | |
| Trade payables | | 7,293,682 | 3,797,824 |
| Other payables and accruals | 12 | 547,658 | 588,365 |
| Interest-bearing bank borrowings | 13 | 3,244,868 | - |
| Due to the immediate holding company | 17(b) | 1,809,773 | 990,186 |
| Due to a fellow subsidiary | 17(b) | - | 4,669,783 |
| Due to an intermediate holding company | | 147,820 | 46,680 |
| Total current liabilities | | 13,043,801 | 10,092,838 |
| NET CURRENT ASSETS | | 3,474,857 | 2,654,284 |
| Net assets | | 3,642,502 | 2,713,744 |
| EQUITY | | | |
| Share capital | 14 | 10,000 | 10,000 |
| Reserves | | 3,632,502 | 2,703,744 |
| Total equity | | 3,642,502 | 2,713,744 |



.....
Pallak Seth
Director

.....
Deepak Kumar Seth
Director

FX IMPORT HONG KONG LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Share capital HK$ | Retained profits HK$ | Total equity HK$ |
|---|---|---|---|
| At 1 April 2017 | 10,000 | 3,910,929 | 3,920,929 |
| Loss and total comprehensive loss for the year | - | ( 1,207,185) | ( 1,207,185) |
| At 31 March 2017 and at 1 April 2018 | 10,000 | 2,703,744 | 2,713,744 |
| Profit and total comprehensive income for the year | - | 928,758 | 928,758 |
| At 31 March 2018 | 10,000 | 3,632,502 | 3,642,502 |

FX IMPORT HONG KONG LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | | 928,758 | ( 1,207,185) |
| Adjustments for: | | | |
| Interest income | 4 | ( 169) | ( 220) |
| Finance costs | 5 | 123,625 | - |
| Depreciation | 6 | 45,707 | 38,112 |
| | | 1,097,921 | ( 1,169,293) |
| (Increase)/decrease in trade receivables | | ( 1,238,589) | 11,199,662 |
| (Increase)/decrease in prepayments, deposits and other receivables | | ( 2,372,859) | 321,346 |
| Increase in amount due from a fellow subsidiary | | ( 4,978,310) | ( 5,281,506) |
| Increase/(decrease) in trade payables | | 3,495,858 | ( 5,343,183) |
| (Decrease)/increase in other payables and accruals | | ( 40,707) | 308,661 |
| Increase in an amount due to the intermediate holding company | | 101,140 | 46,680 |
| Increase/(decrease) in an amount due to the immediate holding company | | 819,587 | ( 878,222) |
| Cash used in operations | | ( 3,115,959) | ( 795,855) |
| Interest received | | 169 | 220 |
| Interest paid | | ( 123,625) | - |
| Net cash flows used in operating activities | | ( 3,239,415) | ( 795,635) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | ( 64,775) | ( 38,873) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from a bank loan | 15 | 3,244,868 | - |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | ( 59,322) | ( 834,508) |
| Cash and cash equivalents at beginning of year | | 3,031,332 | 3,865,840 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 2,972,010 | 3,031,332 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 2,972,010 | 3,031,332 |

FX IMPORT HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 1. CORPORATE INFORMATION

FX Import Hong Kong Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the year, the Company was engaged in the trading of garments.

The Company is a wholly-owned subsidiary of FX Import Co. Ltd., a company incorporated in the United Kingdom. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

## 2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

## 2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$").

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[5] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption
5 Apply to plan amendments, curtailments or settlements that occur on or after 1 January 2019

Further information about those HKFRSs that are expected to be applicable to the Company is described below:

In September 2014, the HKICPA issued the final version of HKFRS 9, which reflects all phases of the financial instruments project and replaces HKAS 39 and all previous versions of HKFRS 9. Under HKFRS 9, a debt instrument is measured at amortised cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. In addition, the standard requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Company will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Furthermore, the Company will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its deposits, other receivables and an amount due from a fellow subsidiary within the next twelve months.

The Company does not expect that the adoption of HKFRS 9 will have a significant impact on The Company's overall financial performance and financial position upon initial application. Moreover, The Company will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 was issued in July 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and reduce the cost and complexity of applying the standard. The Company plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. The Company expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material.

HKFRS 16 was issued in May 2016 and replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees that they can elect as practical expedients – leases of low-value assets and short-term leases (i.e., where the lease term is 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40 *Investment Property*. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. HKFRS 16 also requires lessees to make more extensive disclosures than under HKAS 17. The Company expects to adopt HKFRS 16 on 1 January 2019.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rate used for office equipment is 33%.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

*Initial recognition and measurement*

Financial assets of the Company are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method.

Employee benefits

*Retirement benefit costs*

The Company operates a mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currency transactions

The Company's functional currency is US$, which is different from its presentation currency. These financial statements are presented in HK$ as the Company is incorporated and operates in Hong Kong and, in the opinion of the directors, the financial statements are more suitable to be presented in HK$. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were measured.

As at the end of the reporting period, the assets and liabilities of the Company are translated into the presentation currency of the Company at the exchange rate prevailing at the end of the reporting period and the statement of profit or loss is translated into HK$ at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

For the purpose of the statement of cash flows, the cash flows of the Company are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company which arise throughout the year are translated into HK$ at the weighted average exchange rate for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgement apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Determination of functional currency*

In determining the functional currency of the Company, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the Company is determined based on management's assessment of the economic environment in which the Company operates and the Company's process of determining sales prices. Management has assessed that prices are mainly denominated and settled in US$ and therefore, management concluded that the functional currency of the Company is US$.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

## 4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold.

An analysis of other income is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest income | 169 | 220 |
| Penalties charged to suppliers | 383,434 | 72,151 |
| Foreign exchange differences, net | 420,858 | - |
| | 804,461 | 72,371 |

## 5. FINANCE COSTS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest on bank loans and overdrafts | 123,625 | - |

## 6. PROFIT/(LOSS) BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Cost of inventories sold | 67,195,797 | 67,819,017 |
| Auditor's remuneration | 65,000 | 62,400 |
| Depreciation | 45,707 | 38,112 |
| Minimum lease payments under operating leases | 479,296 | 398,036 |
| Employee benefit expense (excluding directors' remuneration (note 7)): | | |
| Salaries and allowances | 3,148,324 | 4,347,833 |
| Foreign exchange differences, net | 420,858 | ( 44,947) |

## 7. DIRECTORS' REMUNERATION

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

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Company did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

A reconciliation of the tax charge applicable to profit/(loss) before tax at the Hong Kong statutory rate to the tax charge at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | HK$ | % | HK$ | % |
| Profit/(loss) before tax | 928,758 | | ( 1,207,185) | |
| Tax at the statutory tax rate | 153,245 | 16.5 | ( 199,186) | (16.5) |
| Income not subject to tax | ( 153,245) | (16.5) | - | - |
| Expense not deductible for tax | - | - | 199,186 | 16.5 |
| Tax at the effective tax rate | - | - | - | - |

There was no unprovided deferred tax in respect of the year and as at the end of the reporting period (2017: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment HK$ |
|---|---|
| **31 March 2018** | |
| At 31 March 2017 and 1 April 2017: | |
| Cost | 124,573 |
| Accumulated depreciation | ( 78,079) |
| Net carrying amount | 46,494 |
| At 1 April 2017, net of accumulated depreciation | 46,494 |
| Additions | 64,775 |
| Depreciation provided during the year | ( 45,707) |
| At 31 March 2018, net of accumulated depreciation | 65,562 |
| At 31 March 2018: | |
| Cost | 189,348 |
| Accumulated depreciation | ( 123,786) |
| Net carrying amount | 65,562 |
| **31 March 2017** | |
| At 1 April 2016: | |
| Cost | 85,700 |
| Accumulated depreciation | ( 39,967) |
| Net carrying amount | 45,733 |
| At 1 April 2016, net of accumulated depreciation | 45,733 |
| Additions | 38,873 |
| Depreciation provided during the year | ( 38,112) |
| At 31 March 2017, net of accumulated depreciation | 46,494 |
| At 31 March 2017: | |
| Cost | 124,573 |
| Accumulated depreciation | ( 78,079) |
| Net carrying amount | 46,494 |

## 10. TRADE RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Trade receivables | 8,299,513 | 7,060,924 |

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days, extending up to 90 days for major customers. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aging analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Neither past due nor impaired | 1,763,094 | 5,634,671 |
| Past due but not impaired: | | |
| Less than one month | 6,289,135 | 1,420,974 |
| One to three months | 206,302 | 5,279 |
| Over three months | 40,982 | - |
| | 8,299,513 | 7,060,924 |

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have had a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Prepayments | 2,381,050 | 4,541 |
| Deposits | 102,083 | 102,732 |
| Other receivables | 350,531 | 353,532 |
| | 2,833,664 | 460,805 |
| Less: Portion classified as non-current | ( 102,083) | ( 12,966) |
| | 2,731,581 | 447,839 |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 12. OTHER PAYABLES AND ACCRUALS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Accrued employee benefits | - | 12,368 |
| Accruals | 400,572 | 428,911 |
| Receipts in advance | 147,086 | 147,086 |
| | 547,658 | 588,365 |

## 13. INTEREST-BEARING BANK BORROWINGS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Trust receipt loans | 3,244,868 | - |

The trust receipt loans as at 31 March 2018 were denominated in US$, interest-bearing at 3.72%-3.86% (2017: Nil) per annum and were repaid in April 2018 (2017: Nil).

The interest-bearing bank borrowings are guaranteed by the immediate holding company and a director of the Company.

## 14. SHARE CAPITAL

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Issued and fully paid: | | |
| 10,000 (2017: 10,000) ordinary shares | 10,000 | 10,000 |

## 15. NOTES TO THE STATEMENT OF CASH FLOWS

| | Bank loan<br>HK$ |
|---|---|
| At 1 April 2017 | - |
| Changes from financing cash flows | 3,244,868 |
| At 31 March 2018 | 3,244,868 |

## 16. OPERATING LEASE ARRANGEMENTS

The Company leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from two to four years. The terms of the leases generally also require the tenants to pay security deposits.

At the end of the reporting period, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Within one year | 460,895 | 261,278 |
| In the second to fifth years, inclusive | 985,200 | 142,655 |
| | 1,446,095 | 403,933 |

## 17. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Intermediate holding company: | | | |
| Management fees paid | (i) | 295,640 | - |
| Immediate holding company: | | | |
| Commissions paid | (ii) | 6,863,825 | 10,709,907 |
| Fellow subsidiary: | | | |
| Commission paid | (ii) | 2,570,084 | 2,077,908 |
| Human resources support expenses | (iii) | 530,752 | 613,935 |
| Compliance fees paid | (iv) | 138,453 | - |

Notes:

(i) The management fees paid were charged based on terms mutually agreed between the Company and an intermediate holding company.

(ii) The commissions paid were in relation to sourcing services rendered by the immediate holding company and a fellow subsidiary, and were charged at rates mutually agreed between the Company and the respective related parties.

(iii) The human resources support expenses were charged by a fellow subsidiary based on rates mutually agreed between the Company and a fellow subsidiary.

(iv) The compliance fees paid were charged by a fellow subsidiary based on rates mutually agreed between the Company and a fellow subsidiary.

(b) Outstanding balances with related parties

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

(c) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 7 to the financial statements.

## 18. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, deposits and other receivables, an amount due from a fellow subsidiary and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Company comprise trade payables, financial liabilities included in other payables and accruals, and amounts due to the immediate holding company, an intermediate holding company and a fellow subsidiary, which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

## 19. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade receivables, deposits and other receivables, an amount due from a fellow subsidiary, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, amounts due to the immediate holding company, an intermediate holding company and a fellow subsidiary approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

*Foreign currency risk*

The Company's account receivable and account payable are denominated in US$ and is exposed to foreign currency risk. The foreign currency risk is expected to be minimal due to the pegged rate of exchange between the HK$ and the US$, and the Company will continually monitor its foreign currency risk exposure in light of various market conditions to determine if any hedging arrangements are required in the future.

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk*

The carrying amounts of trade receivables, deposits and other receivables, an amount due from a fellow subsidiary and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note 10 to the financial statements. At the end of the reporting period, 98% (2017: 81%) of the Company's trade receivables were due from the Company's top customer.

*Liquidity risk*

In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

*Capital management*

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the member's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to its member, return capital to the member or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

## 21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 May 2018.

Company Registration no. 02608346 (England and Wales)

# POETICGEM LIMITED

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2018

UHY Hacker Young
Chartered Accountants

**POETICGEM LIMITED**

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**POETICGEM LIMITED**

**COMPANY INFORMATION**

| | |
|---|---|
| **Directors** | Mr Anuj Banaik<br>Mrs Payel Seth |
| **Secretary** | Mr Krishna Kanodia |
| **Company Number** | 02608346 |
| **Registered Office** | Quadrant House - Floor 6<br>4 Thomas More Square<br>London<br>E1W 1YW |
| **Auditor** | UHY Hacker Young LLP<br>Quadrant House<br>4 Thomas More Square<br>London<br>E1W 1YW |

**POETICGEM LIMITED**

**STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 MARCH 2018**

The directors present their report and the audited financial statements for the year ended 31 March 2018.

**Principal activities**

The company's principal activity is the design, import and distribution of garments.

**Fair review of the business**

The results for the year and the financial position at the year-end for the company were considered satisfactory by the directors who expect growth in the foreseeable future.

The company's key performance indicator is measured by reference to maintaining growth in net profit.

Profit before tax in 2017 of £161,622 has increased to £186,647 which is a positive sign that company strategy of customer diversification and optimisation is on the correct path.

Other key financial performance indicators can be summarised as follows:

| i) Improvement and efficiency of asset usage | **2018** | **2017** |
|---|---|---|
| a) Average credit period for trade receivables | 88 days | 34 days |
| ii) Financial stability of the company | **2018** | **2017** |
| Working capital ratio | 3.81:1 | 4.28:1 |
| Liquidity ratio | 3.76:1 | 4.28:1 |

**Key risks and uncertainties**

The main risks of the company are summarised below:

- *Currency risk*
  Expenses and revenue of the company are mainly denominated in USD and GBP. As a result, the company is subject to risk of foreign currency movements. It is the company's policy to monitor this risk and to take necessary steps to minimise any adverse effects.

- *Liquidity risk*
  Liquidity risk is the risk that the company may encounter in meeting its financial obligations as they fall due. During the year, the company continued to be funded from liquid resources retained in the UK. The directors continue to monitor the company's liquidity, taking steps, wherever necessary, to ensure that financial obligations and commitments are met as and when they fall due.

- *Market risk*
  Pressure on margins: As the competition amongst value retailers is increasing, profit margins are under constant pressure. However, the company is spreading its customer base from value retailers to high margin fashion retailers to counter this risk.

- *Credit risk*
  Credit risk arises from trade receivables where the party fails to discharge their obligation in relation to the instrument. To minimise the risk, management have appropriate credit assessment methods in place to establish credit worthiness of new customers and monitor receivables by regularly reviewing aged receivable reports.

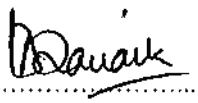
**Other business review**

- *Environmental policy*
  The company recognises the importance of environmental responsibilities and where practical has an environmental policy in place which includes the recycling of paper and all office materials. The directors believe the nature of its activities has a minimal effect on the environment.

- *Health and safety*
  The company recognises the importance of safeguarding the health, safety and welfare of its employees and has a health and safety policy in place. Regular updates are communicated to all employees.

- *Employees*
  The company aims to ensure that the employees work in a safe and healthy environment. The company encourages the workforce to be involved by providing appropriate training, learning and career development programmes. It is also making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

By order of the board



Mr Anuj Banaik
**Director**

24 May 2018

# POETICGEM LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the audited financial statements for the year ended 31 March 2018.

As stated in note 2, the directors have chosen to prepare the financial statements as if they were statutory financial statements for the purpose of group consolidation.

**Results and dividends**
The company's profit for the year after taxation was £186,647 (2017: £144,169).

The directors do not recommend the payment of a dividend.

**Future developments**
The business environment looks challenging due to the current economic market conditions which will have an impact on the UK retail industry. Poeticgem Limited will continue to follow the plans of customer diversification and optimisation of synergies between group companies of PDS Multinational Fashions Limited to bring overall growth and improvement in profitability.

**Going concern**
The directors confirm that, having reviewed the company's forecasts, they consider that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

**Directors**
The following directors have held office since 1 April 2017:

Mr Anuj Banaik
Mrs Payel Seth

**Financial instruments**
Details of the company's financial instruments, risk management objectives and the company's exposure to risk associated with its financial instruments are given in Note 20 to the financial statements.

| **Charitable and political donations** | **2018** | **2017** |
|---|---|---|
| | **£** | **£** |
| During the year the company made the following charitable donations: | | |
| Kings College London | 83,750 | - |
| Great Ormond Street Hospital | 49,901 | - |
| Donation for Soham | - | 14,000 |
| Other small donations[(a)] | 5,300 | 3,258 |
| | 138,951 | 17,258 |

[(a)]These payments were made to various charitable organisations such as Justgiving. The company does not make donations to political parties.

**Auditor**
The auditors, UHY Hacker Young, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

**Statement of directors' responsibilities**
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently:
- make judgements and estimates that are reasonable and prudent:
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements: 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. They 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.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant information of which the company's auditor is unaware: and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Responsibility statement**

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements prepared in accordance with IFRSs as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and
- the directors' report includes a fair view of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face.

By order of the board

.....

Mr Anuj Banaik
**Director**

24 May 2018

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

# POETICGEM LIMITED

## INDEPENDENT AUDITOR'S REPORT ON THE NON-STATUTORY

## FINANCIAL STATEMENTS

## POETICGEM LIMITED

## FOR THE YEAR ENDED 31 MARCH 2018

**Opinion**

We have audited the financial statements of Poeticgem Limited (the 'company') for the year ended 31 March 2018 for group reporting purposes, which comprise the statement of comprehensive income, statement of financial position, the cash flow statement, the statement of changes in equity 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 March 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.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken 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.

**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.

**UHY Hacker Young LLP**
Quadrant House
4 Thomas More Square
London E1W 1YW



**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. 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 our audit:

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

**Matters on which we are required to report by exception**

In the 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 Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept, 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.

UHY Hacker Young
Chartered Accountants

**UHY Hacker Young LLP**
Quadrant House
4 Thomas More Square
London E1W 1YW



**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, 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 director 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

UHY Hacker Young

**UHY Hacker Young**

**Chartered Accountants**
**Statutory Auditor**

25 May 2018

## POETICGEM LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | Year ended 31 March 2018 £ | Year ended 31 March 2017 £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 14,716,721 | 15,743,340 |
| Cost of revenue | | (5,355,247) | (8,063,452) |
| **Gross profit** | | 9,361,474 | 7,679,888 |
| Other income and foreign exchange | 5 | (399,260) | 670,588 |
| Distribution costs | | (1,479,192) | (1,498,325) |
| Administrative expenses | | (7,294,833) | (6,679,619) |
| **Operating profit** | 6 | 188,189 | 172,532 |
| Finance income | 8 | 10,163 | 14,944 |
| Finance costs | 9 | (11,705) | (25,854) |
| **Profit for the year before taxation** | | 186,647 | 161,622 |
| Taxation | 10 | - | (17,454) |
| **Profit for the financial year** | 25 | 186,647 | 144,169 |
| **Other comprehensive income** | | | |
| Net effect of cash flow hedges | 24 | (7,033) | 2,050 |
| **Total comprehensive income for the year** | | 179,614 | 146,219 |

The notes on pages 15 to 42 form part of these financial statements.

## POETICGEM LIMITED

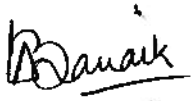
## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

| | Notes | Year ended 31 March 2018 £ | Year ended 31 March 2017 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 482,283 | 266,341 |
| Investments in subsidiaries | 12 | 856,445 | 856,445 |
| Other investments | 13 | 209,294 | 833,959 |
| Investment property | 14 | 2,275,604 | 2,294,691 |
| Trade and other receivables | 16 | 511,108 | 510,088 |
| | | 4,334,734 | 4,761,524 |
| **Current assets** | | | |
| Inventories | 15 | 109,643 | 1,392 |
| Trade and other receivables | 16 | 8,201,723 | 7,881,978 |
| Cash and cash equivalents | | 462,837 | 574,954 |
| | | 8,774,203 | 8,458,324 |
| **Total assets** | | 13,108,937 | 13,219,848 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | (1,662,546) | (1,849,376) |
| Current tax liabilities | | (4,561) | (4,561) |
| Other financial liabilities | 19 | (10,161) | (3,128) |
| Borrowings | 18 | (625,042) | (118,316) |
| | | (2,302,310) | (1,975,381) |
| **Net current assets** | | 6,471,893 | 6,482,943 |
| **Non-current liabilities** | | | |
| Trade and other payables | 17 | (251,855) | (308,255) |
| Borrowings | 18 | - | (561,054) |
| Deferred tax liabilities | 22 | - | - |
| | | (251,855) | (869,309) |
| **Total liabilities** | | (2,554,165) | (2,844,690) |
| **Net assets** | | 10,554,772 | 10,375,158 |

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018 (CONTINUED)

| | Notes | Year ended 31 March 2018 £ | Year ended 31 March 2017 £ |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | 23 | 50,000 | 50,000 |
| Other reserves | 24 | (10,161) | (3,128) |
| Retained earnings | 25 | 10,514,933 | 10,328,286 |
| **Total equity** | | 10,554,772 | 10,375,158 |

The financial statements were approved by the board of directors and authorised for issue on 24 May 2018 and were signed on its behalf by:



Mr Anuj Banaik
**Director**

**Company Registration No. 02608346**

The notes on pages 15 to 42 form part of these financial statements.

## POETICGEM LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £ | Other reserves £ | Retained earnings £ | Total £ |
|---|---|---|---|---|
| **Balance at 1 April 2016** | 50,000 | (5,178) | 10,184,117 | 10,228,939 |
| Total comprehensive income for the year | - | 2,050 | 144,169 | 146,219 |
| **Balance at 31 March 2017** | 50,000 | (3,128) | 10,328,286 | 10,375,158 |
| Total comprehensive income/ (loss) for the year | - | (7,033) | 186,647 | 179,614 |
| **Balance at 31 March 2018** | 50,000 | (10,161) | 10,514,933 | 10,554,772 |

The notes on pages 15 to 42 form part of these financial statements.

## POETICGEM LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2018

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in) from operations | 29 | (283,929) | (552,159) |
| Finance costs | | (11,705) | (25,854) |
| Finance income | | 10,163 | 14,944 |
| **Net cash (used in) from operating activities** | | (285,471) | (563,069) |
| **Payment of income taxes** | | - | (81,958) |
| | | (285,471) | (645,027) |
| **Cash flows from investing activities** | | | |
| Payments to acquire property, plant and equipment | | (396,983) | (145,810) |
| Sale of available-for-sale financial assets | | 624,665 | - |
| Purchases of available-for-sale finance assets | | - | (50,674) |
| Payments on acquisition of subsidiary | | - | (14,100) |
| **Net cash (used in)/generated from investing activities** | | 227,682 | (210,584) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (561,054) | - |
| Proceeds of advances from debt factoring | | 506,726 | 118,316 |
| **Net cash generated from / (used in) financing activities** | | (54,328) | 118,316 |
| **Net decrease in cash and cash equivalents** | | (112,117) | (737,295) |
| Cash and cash equivalents at the start of the year | | 574,954 | 1,312,249 |
| **Cash and cash equivalents at the end of the year** | | 462,837 | 574,954 |

| | 2018 £ | 2017 £ |
|---|---|---|
| Cash and cash equivalents comprise: | | |
| Cash at bank and in hand | 462,837 | 574,954 |
| | 462,837 | 574,954 |

The notes on pages 15 to 42 form part of these financial statements.

1. **General information**

Poeticgem Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environments in which the company operates.

2. **Summary of significant accounting policies**

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

**Basis of preparation**

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

These financial statements do not reflect the consolidation of the company's subsidiaries and are not statutory financial statements. The directors have nonetheless prepared and presented on the basis they are statutory financial statements for disclosure purposes in all other respects.

2.1 **Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|---|---|
| Freehold land and buildings | 1% straight line |
| Leasehold land and buildings | 1% straight line on long lease and over lease term for short lease |
| Plant and machinery | 33.33% reducing balance |
| Fixtures, fittings and equipment | 25% reducing balance |
| Motor vehicles | 25% reducing balance |

2.2 **Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|---|---|
| Freehold land and buildings | 1% straight line |

2.3 **Impairment**

The carrying values of the company's assets' are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

**2. Summary of significant accounting policies (continued)**

2.4 **Revenue recognition**
Revenue is measured at the fair value of the consideration received or receivable.

- **Sale of goods**
  Revenue represents amounts receivable from the distribution of garments net of discounts and value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

- **Commission receivable**
  Commission receivable is earned when the supplier delivers to the end customers.

- **Rental income**
  Rental income is earned at arm's length on the freehold property which is occupied by a third party. Rental income under operating leases is credited to the statement of comprehensive income on a straight line basis over the term of the lease.

- **Interest income**
  Interest revenue is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

- **Corporate income**
  Corporate income represents the recovery of cost of services rendered by senior management. It is accounted for on an accrual basis.

2.5 **Leasing and hire purchase commitments**
Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Assets obtained under finance leases and hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.6 **Investments**
Investments in subsidiary undertakings are stated at cost less provision for impairment.

2.7 **Inventories**
Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the FIFO method. Net realisable value represents the estimated selling price.

## 2. Summary of significant accounting policies (continued)

### 2.8 Taxation

Income tax expense represents the current tax payable and deferred tax provisions.

- **Current tax**

  The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable of deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

- **Deferred tax**

  Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

  The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

  Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

  Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

### 2.9 Foreign currencies

Transactions in currencies other than in pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

### 2.10 Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2. **Summary of significant accounting policies (continued)**

2.11 **Financial instruments**

Financial instruments are measured initially at cost, which is the fair value of whatever was paid or received to acquire or incur them. The company has the following categories of financial assets and liabilities:

- **Trade and other receivables**
  Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriated allowances for estimated irrecoverable amounts. This also includes factored debts as described below.

- **Trade and other payables**
  Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payable are stated at their nominal value.

- **Factored debts**
  Factored debts are shown as gross assets within trade receivables and a corresponding liability is shown in respect of proceeds received within payables. The interest and factoring charges are recognised in the statement of comprehensive income during the period to which they relate using the effective interest method.

- **Available-for-sale financial assets**
  Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are stated at fair value.

- **Other financial liabilities**
  Trade payables are recognised and carried at original invoice cost and are a short-term liability of the company.

- **Cash and cash equivalents**
  Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the company statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2. **Summary significant accounting policies (continued)**

- **Interest-bearing loans and borrowings**
  Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

- **Derivative financial instruments and hedge accounting**
  The company uses derivative financial instruments such as forward currency contracts to hedge its exposure to exchange rate movements on merchandise purchases, certain other costs and sales denominated in foreign currencies.

  Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

  The company applies cash flow hedge accounting whereby changes in the fair value of the hedging instrument are recognised directly in equity rather than the statement of comprehensive income. When the hedged item is recognised in the financial statements, the accumulated gains and losses are removed from equity and recognised in the profit and loss.

  Hedge effectiveness testing is carried out retrospectively and prospectively and where ineffectiveness arises on hedged item, the changes in fair value are taken directly to the statement of comprehensive income for the year.

2.12 **New IFRSs and interpretations not applied**

The following standards, amendments and interpretations are not yet effective and have not yet been adopted early by the company:

| | **Effective for period beginning on or after** |
|---|---|
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |

The adoption of these standards, amendments and interpretations is not expected to have a material impact of the company's results for the year or equity.

3. **Significant judgements and estimates**

The preparation of the company's financial statements in conforming with IFRSs requiring management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements.

*Current economic environment*

The current economic environment could have an impact on a number of estimates necessary to prepare the financial statements, in particular, the recoverable amount of assets and contingent liabilities. The company has taken these factors into account in assessing the estimates set out below.

*Foreign payable and foreign receivables*

Certain foreign payables and foreign receivable are not retranslated at the rates prevailing on the balance sheet date, because in the directors' opinion the payables are covered by the forward exchange contracts and the receivables will be collected at the sterling amount recognised in the financial statements. Any net overstatement or net understatement of foreign exchange differences is not considered to be material.

*Available-for-sale financial assets*

In determining whether available-for-sale financial assets are impaired, the directors evaluate the duration and extent to which the fair value of an investment is less than its cost. In the directors' opinion, these financial assets have not been impaired and are correctly stated.

*Derivative financial instruments*

Derivative financial instruments are recognised at fair value and change significantly from period to period.

## 4. Revenue

**a) Company activities**

The company's activity is in a single business segment, being the supply of ladies, men's and children's garments.

**b) Revenue by geographical market and customer location**

The company's operations are located primarily in the UK and the business activity is reportable as follows:

| **Analysis of revenue by category:** | **2018** £ | **2017** £ |
|---|---|---|
| Sale of garments | 5,903,512 | 7,088,893 |
| Commission receivable | 8,813,209 | 8,654,447 |
| | 14,716,721 | 15,743,340 |

Analysis of revenue by geographical market and customer location are as follows:

| | **2018** £ | **2017** £ |
|---|---|---|
| UK | 4,292,700 | 4,691,767 |
| Rest of the World | 8,813,209 | 8,654,447 |
| Europe | 1,610,812 | 2,397,126 |
| | 14,716,721 | 15,743,340 |

## 5. Other income and foreign exchange

| | **2018** £ | **2017** £ |
|---|---|---|
| Rent receivable | 124,748 | 125,248 |
| Exchange gain/(loss) | (783,008) | 375,356 |
| Sundry income | 259,000 | 169,984 |
| | (399,260) | 670,588 |

## 6. Operating profit

| Operating profit has been arrived at After charging/(crediting): | 2018 £ | 2017 £ |
|---|---|---|
| Staff costs (see note 7) | 5,083,882 | 4,652,510 |
| Depreciation of property, plant and equipment | 95,574 | 72,431 |
| Amortisation of freehold and leasehold | 80,122 | 12,703 |
| Depreciation of investment property | 24,432 | 26,087 |
| Operating lease rentals | 284,047 | 275,042 |
| (Profit)/Loss on foreign exchange transactions | 783,008 | (375,356) |
| Fees payable to auditors: | | |
| Audit of annual financial statements | 25,470 | 25,000 |
| Other services – review of the interim financial statements | 17,472 | 17,314 |
| Other services | 16,867 | 7,409 |

## 7. Staff numbers and costs

| The payroll costs (including directors) were as follows: | 2018 £ | 2017 £ |
|---|---|---|
| Staff wages and salaries | 4,427,508 | 4,060,393 |
| Directors' remuneration | 100,000 | 100,000 |
| Social security costs | 536,130 | 474,065 |
| Staff pension | 20,244 | 18,052 |
| | 5,083,882 | 4,652,510 |

The average number of employees (including directors) during the year was:

| | 2018 Number | 2017 Number |
|---|---|---|
| Designers | 39 | 35 |
| Sales | 22 | 21 |
| Management and administration | 17 | 17 |
| Quality control | 7 | 5 |
| | 85 | 78 |

| **Directors' emoluments** | £ | £ |
|---|---|---|
| Emoluments for qualifying services | 101,499 | 100,971 |

8. **Finance income**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Other interest | 10,163 | 14,944 |
| | 10,163 | 14,944 |

9. **Finance costs**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Interest on borrowings | 11,705 | 25,854 |
| | 11,705 | 25,854 |

10. **Taxation for the period**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Current tax expense:** | | |
| UK Corporation tax | - | - |
| Adjustment for prior year | - | 19,022 |
| | - | 19,022 |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences | - | (1,568) |
| **Income tax expenses** | - | 17,454 |

| **Reconciliation of current tax expenses to accounting profit:** | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Profit before taxation | 186,647 | 161,622 |
| Notional taxation charge at the UK corporation tax rate of 19% (2017: 20%) | 35,463 | 32,324 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | 23,961 | 9,701 |
| Excess depreciation over capital allowances | - | 7,972 |
| Adjustments in respect of prior years | - | 19,022 |
| Other tax adjustments | (19,964) | 11,327 |
| Tax losses surrendered from group company | (39,460) | (62,892) |
| **Total current charge for the year** | - | 17,454 |

## 11. Property, plant and equipment

| | Land and Buildings Freehold £ | Land and buildings leasehold £ | Plant and machinery £ | Fixtures, fittings & equipment £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2017 | - | 684,244 | 994,841 | 808,208 | 2,916 | 2,490,209 |
| Additions | - | 201,438 | 176,445 | 13,755 | - | 391,638 |
| Transfer | - | - | - | - | - | - |
| At 31 March 2018 | - | 885,682 | 1,171,286 | 821,963 | 2,916 | 2,881,847 |
| **Accumulated depreciation** | | | | | | |
| At 1 April 2017 | - | 612,684 | 853,000 | 755,942 | 2,242 | 2,223,868 |
| Charge for the year | - | 80,122 | 69,603 | 25,971 | - | 175,696 |
| Transfer | - | - | - | - | - | - |
| At 31 March 2018 | - | 692,806 | 922,603 | 781,913 | 2,242 | 2,399,564 |
| **Carrying amount** | | | | | | |
| At 31 March 2018 | - | 192,876 | 248,683 | 40,050 | 674 | 482,283 |
| At 31 March 2017 | - | 71,560 | 141,841 | 52,266 | 674 | 266,341 |

11. **Property, plant and equipment (continued)**

| | Land and Buildings Freehold £ | Land and buildings leasehold £ | Plant and machinery £ | Fixtures, fittings & equipment £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2016 | 2,542,828 | 602,093 | 940,098 | 804,637 | 2,916 | 4,892,572 |
| Additions | - | 82,151 | 54,743 | 3,571 | - | 140,465 |
| Transfer | (2,542,828) | - | - | - | - | (2,542,828) |
| At 31 March 2017 | - | 684,244 | 994,841 | 808,208 | 2,916 | 2,490,209 |
| **Accumulated depreciation** | | | | | | |
| At 1 April 2016 | 227,392 | 599,981 | 802,332 | 734,178 | 2,242 | 2,366,125 |
| Charge for the year | - | 12,703 | 50,668 | 21,764 | - | 85,135 |
| Transfer | (227,392) | - | - | - | - | (227,392) |
| At 31 March 2017 | - | 612,684 | 853,000 | 755,942 | 2,242 | 2,223,868 |
| **Carrying amount** | | | | | | |
| At 31 March 2017 | - | 71,560 | 141,841 | 52,266 | 674 | 266,341 |
| At 31 March 2016 | 2,315,436 | 2,112 | 137,766 | 70,459 | 674 | 2,526,446 |

12. **Investments in subsidiaries**

| | Shares in Subsidiary undertakings | |
|---|---|---|
| | 2018 | 2017 |
| | £ | £ |
| **Cost** | | |
| At the beginning of the year | 856,445 | 574,445 |
| Additions during the year | - | 282,000 |
| At the end of the year | 856,445 | 856,445 |

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

**Holdings of more than 20%**
The company holds more than 20% of the share capital of the following companies:

| Company | Country of registration or Incorporation | Class | Shares held % |
|---|---|---|---|
| **Subsidiary undertakings** | | | |
| Pacific Logistics Limited | England and Wales | Ordinary | 100 |
| Poetic Knitwear Limited | England and Wales | Ordinary | 100 |
| FX Import Company Limited | England and Wales | Ordinary | 100 |
| FX Import Hong Kong Limited | Hong Kong | Ordinary | 100 |

The aggregate amount of capital and reserves and the results of the undertakings at 31 March 2018 were as follows:

| | Capital and reserves | Profit / (loss) for the period |
|---|---|---|
| | £ | £ |
| Pacific Logistics Limited | (379,833) | (7,169) |
| Poetic Knitwear Limited | (701,538) | (2,062) |
| FX Import Company Limited | (274,707) | (140,300) |
| FX Import Hong Kong Limited | 391,724 | 145,425 |

13. **Other investments**

| | 2018 £ | 2017 £ |
|---|---|---|
| • Available-for-sale: | | |
| At start of the year | 833,959 | 783,285 |
| Disposals during the year | (604,147) | - |
| Net profit / (loss) – exchange difference | (20,518) | 50,674 |
| At the end of the year | 209,294 | 833,959 |

Other investments are available-for-sale financial assets consisting of ordinary shares and therefore, have no maturity date or coupon rate. In the directors' opinion, the fair value of this unlisted security is the same as the carrying value at the balance sheet date.

14. **Investment property**

| | Freehold £ |
|---|---|
| **Cost** | |
| At 1 April 2017 | 2,320,778 |
| Additions | 5,345 |
| At 31 March 2018 | 2,326,123 |
| **Accumulated depreciation** | |
| At 1 April 2017 | 26,087 |
| Charge for the year | 24,432 |
| At 31 March 2018 | 50,519 |
| **Carrying value** | |
| At 31 March 2018 | 2,275,604 |
| At 31 March 2017 | 2,294,691 |

**Security**
Properties with a carrying value of £2,275,604 (2017: £2,294,691) are subject to a legal charge.

**Valuation**
Properties with a carrying value of £2,275,604 (2017: £2,294,691) are currently being held for the purpose of rental income from a third party. No formal valuation has been undertaken by an external independent valuer. In the opinion of the directors, the open market value of the property is not materially different from the above stated amount.

15. **Inventories**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Finished goods and goods for resale | 109,643 | 1,392 |

16. **Trade and other receivables**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Current assets** | | |
| Trade receivables | 1,420,645 | 656,258 |
| Other receivables | 1,097,497 | 1,191,810 |
| Receivables from fellow group companies | 4,057,862 | 4,227,738 |
| Receivables from subsidiary companies | 1,416,477 | 1,478,714 |
| Prepaid expenses | 196,716 | 318,510 |
| Receivables from related parties | 12,526 | 8,948 |
| | 8,201,723 | 7,881,978 |
| **Non-current assets** | | |
| Other receivables | 57,991 | 56,971 |
| Receivables from subsidiary companies | 453,117 | 453,117 |
| | 511,108 | 510,088 |

At 31 March 2018, the ageing analysis of overdue trade receivables is as follows:

| | Total | Overdue but not impaired | |
|---|---|---|---|
| | | <3 months | >3 months |
| | £ | £ | £ |
| 2018 | 779,222 | 778,333 | 889 |
| 2017 | 235,434 | 170,610 | 64,823 |

All the amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because its customer base is large.

17. **Trade and other payables**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Current liabilities** | | |
| Trade payables | 1,087,523 | 781,692 |
| Other payables | 56,220 | 56,400 |
| Payables to fellow group companies | 63,208 | 117,238 |
| Payable to related parties | 45,779 | 104,762 |
| Social security and other taxes | 230,186 | 200,497 |
| Accrued expenses | 179,630 | 588,787 |
| | 1,662,546 | 1,849,376 |
| **Non-current liabilities** | | |
| Other payables | 251,855 | 308,255 |
| | 251,855 | 308,255 |

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs.

The fair value of trade and other payables is the same as the carrying value shown above.

18. **Borrowings**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Invoice financing | 625,042 | 118,316 |
| Loan from parent undertaking | - | 561,054 |
| | 625,042 | 679,370 |
| The borrowings are repayable as follows: | | |
| On demand or within one year | 625,042 | 118,316 |
| Between two and five years | - | - |
| In the third to fifth years inclusive | - | 561,054 |
| | 625,042 | 679,370 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (625,042) | (118,316) |
| Amount due for settlement after 12 months | - | 561,054 |

18. **Borrowings (continued)**

Bank loans are arranged at floating rates, thus exposing the company to cash flow interest rate risk.

The other principal features of the company's borrowings are as follows:

i) Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates to 2.5 percent per annum and is determined based on 2 percent plus base rate.

At 31 March 2018 the company had available £2,500,000 (2017: £8,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The company has advances from factors that are secured by a charge on the trade receivables of the company.

Other loans represent an amount of £NIL (2017: £561,054) due to Global Textile Group Limited, the company's immediate parent company. The amount is unsecured and repayable after more than one year. Interest is chargeable at a rate of 9% per annum on an amount of £NIL (2017: £248,270).

The carrying value of all the company's long term borrowings approximate to their fair value as at the balance sheet date.

19. **Derivative financial instruments**

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Forward foreign exchange (fair value) | (10,161) | (3,128) |

The terms of the forward foreign exchange contracts have been negotiated to match the terms of the commitments referred to below. The cash flow hedges of the expected future purchases were assessed to be highly effective and as at 31 March 2018, a recognised loss of £10,161 (2017: £3,128) was included in the hedging reserves in respect of these contracts.

At the balance sheet date, the total notional amounts of outstanding forward foreign exchange contracts that the company has committed to are as follows:

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Forward foreign exchange contracts (cash flow hedges) | 3,294,269 | 1,059,597 |

These commitments have been entered into to hedge against future payments to suppliers in the ordinary course of business.

## 20. Financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

| | Financial assets at fair value through profit or loss – held for trading £ | Available-for-sale financial assets £ | Loan and receivables £ | Financial liabilities at amortised cost £ | 2018 Total £ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Available-for-sale investments | - | 209,294 | - | - | 209,294 |
| Other long-term receivables | - | - | 57,991 | - | 57,991 |
| Trade receivables | - | - | 1,420,645 | - | 1,420,645 |
| Other receivables | - | - | 1,097,497 | - | 1,097,497 |
| Receivables from fellow group companies | - | - | 4,057,862 | - | 4,057,862 |
| Receivables from subsidiary companies | - | - | 1,869,594 | - | 1,869,594 |
| Receivables from related parties | - | - | 12,526 | - | 12,526 |
| Cash and cash equivalents | - | - | 462,837 | - | 462,837 |
| **Total financial assets** | - | 209,294 | 8,978,952 | - | 9,188,246 |
| **Financial liabilities** | | | | | |
| Trade payables and accruals | - | - | - | 1,267,153 | 1,267,153 |
| Other payables | - | - | - | 308,075 | 308,075 |
| Payables to fellow group companies | - | - | - | 63,208 | 63,208 |
| Payables to related parties | - | - | - | 45,779 | 45,779 |
| Derivative financial liabilities | 10,161 | - | - | - | 10,161 |
| **Total financial liabilities** | 10,161 | - | - | 1,684,215 | 1,694,376 |

20. **Financial instruments (continued)**

The carrying amounts of each of the categories of financial instruments as at last year's balance sheet date are as follows:

| | Financial assets at fair value through profit or loss – held for trading £ | Available-for-sale financial assets £ | Loan and receivables £ | Financial liabilities at amortised cost £ | 2017 Total £ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Available-for-sale investments | - | 833,959 | - | - | 833,959 |
| Other long-term receivables | - | - | 56,971 | - | 56,971 |
| Trade receivables | - | - | 656,258 | - | 656,258 |
| Other receivables | - | - | 1,191,810 | - | 1,191,810 |
| Receivables from fellow group companies | - | - | 4,227,738 | - | 4,227,738 |
| Receivables from subsidiary companies | - | - | 1,931,831 | - | 1,931,831 |
| Receivables from related parties | - | - | 8,948 | - | 8,948 |
| Cash and cash equivalents | - | - | 574,954 | - | 574,954 |
| **Total financial assets** | - | 833,959 | 8,648,510 | - | 9,482,469 |
| **Financial liabilities** | | | | | |
| Trade payables and accruals | - | - | - | 1,370,479 | 1,370,479 |
| Other payables | - | - | - | 364,655 | 364,655 |
| Payable to immediate parent company | - | - | - | 561,054 | 561,054 |
| Payables to fellow group companies | - | - | - | 117,238 | 117,238 |
| Payables to related parties | - | - | - | 104,762 | 104,762 |
| Derivative financial liabilities | 3,128 | - | - | - | 3,128 |
| **Total financial liabilities** | 3,128 | - | - | 2,518,188 | 2,521,316 |

## 21. Financial risk management objectives and policies

The company's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the company's financial management policies and practices described below:

### a) Interest rate risk

The company's exposure to the risk of changes in market interest rates relates primarily to the company's interest-bearing bank borrowings with floating interest rates.

The company's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the company is not expected to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

*Sensitivity analysis*
The following table demonstrates the sensitivity to a possible change in interest rates (+/- 0.25%), with all other variables held constant on the company's profit or loss (through the impact on floating rate borrowings) and the company's equity.

| | Increase/ (decrease) in profit before tax £ | Increase/ (decrease) in equity £ |
|---|---|---|
| **2018** | | |
| Increase in basis point of 0.25% | NIL | NIL |
| Decrease in basis point of 0.25% | NIL | NIL |
| **2017** | | |
| Increase in basis point of 0.25% | NIL | NIL |
| Decrease in basis point of 0.25% | NIL | NIL |

### b) Foreign currency risk

The company has transactional currency exposures. Such exposures arise mainly from purchases and sales in currencies other than the company's functional currency. Approximately 64% (2017: 65%) of the company's purchases and sales are denominated in currencies other than the functional currency of the company.

21. **Financial risk management objectives and policies (continued)**

b) **Foreign currency risk (continued)**

At 31 March 2018, the company held 32 forward currency contracts (2017: 6) designated as hedges in respect of expected future purchases.

*i) Currency exposures*

The following table details the company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

| | US dollar $ |
|---|---|
| **At 31 March 2018** | |
| Other investments | 441,600 |
| Trade and other receivables | 889,938 |
| Cash and cash equivalents | 356,571 |
| Trade payables | (530,585) |
| Net exposure arising from recognised assets and liabilities | 1,157,524 |

| | US dollar $ |
|---|---|
| **At 31 March 2017** | |
| Other investments | 1,233,829 |
| Trade and other receivables | 832,922 |
| Cash and cash equivalents | 139,562 |
| Trade payables | (466,834) |
| Net exposure arising from recognised assets and liabilities | 1,739,479 |

21. **Financial risk management objectives and policies (continued)**

b) **Foreign currency risk (continued)**

*ii) Sensitivity analysis*

The company is exposed to a number of foreign currencies. The most significant transactional currency exposure is US dollar with sterling.

The following table demonstrates the sensitivity to a possible change if the sterling weakened/strengthened by 10% against the US dollar, with all other variables held constant, on the company's profit or loss and the company's equity.

| | Increase/ (decrease) in profit before tax $ | Increase/ (decrease) in equity $ |
|---|---|---|
| **2018** | | |
| 10% weakened | (115,752) | (115,752) |
| 10% strengthened | 115,752 | 115,752 |
| **2017** | | |
| 10% weakened | (173,948) | (173,948) |
| 10% strengthened | 173,948 | 173,948 |

c) **Credit risk**

The company is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments.

The company trades on credit terms only with recognised and creditworthy third parties. If the wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Receivable balances are monitored on an ongoing basis and there is no significant concentration of credit risk within the company. The company's exposure to bad debts is also not significant as the company's trade receivables relate to diversified debtors and most of the trade receivables are factored and insured.

Since the company trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the company's other financial assets, which comprise deposits and other receivables, amounts due from group companies, bank balances and pledged time deposits, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

## 21. Financial risk management objectives and policies (continued)

### d) Liquidity risk

The company's policy is to hold financial instruments and financial assets (eg. trade receivables) and maintain undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its medium-term capital and funding obligations and to meet any unforeseen obligations and opportunities. The company holds cash and short-term investments which, together with the undrawn committed facilities and group borrowings, enable the company to manage its liquidity risk.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The maturity profile of the company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

| | Within 1 year or on demand £ | More than 1 year but less than 2 years £ | More than 2 years £ | 2018 Total £ |
|---|---|---|---|---|
| Trade payables | 1,087,523 | - | - | 1,087,523 |
| Other payables | 235,850 | 56,400 | 195,455 | 487,705 |
| Social security and other taxes | 230,186 | - | - | 230,186 |
| Borrowings | 625,042 | - | - | 625,042 |
| Payables to fellow group companies | 63,208 | - | - | 63,208 |
| Payables to related parties | 45,779 | - | - | 45,779 |
| | 2,287,588 | 56,400 | 195,455 | 2,539,443 |

| | Within 1 year or on demand £ | More than 1 year but less than 2 years £ | More than 2 years £ | 2017 Total £ |
|---|---|---|---|---|
| Trade payables | 781,692 | - | - | 781,692 |
| Other payables | 645,186 | 56,400 | 251,855 | 953,441 |
| Social security and other taxes | 200,497 | - | - | 200,497 |
| Borrowings | 118,317 | - | 561,054 | 679,371 |
| Payables to fellow group companies | 117,238 | - | - | 117,238 |
| Payables to related parties | 104,762 | - | - | 104,762 |
| | 1,967,692 | 56,400 | 812,909 | 2,837,001 |

The maturity analysis applies to financial instruments only and therefore, statutory liabilities are not included.

21. **Financial risk management objectives and policies (continued)**

e) **Capital management**

The company aims to manage its overall capital to ensure that it continues to operate as a going concern and maintains sufficient financial flexibility to undertake planned investments, whilst providing adequate return to shareholders.

The company's capital structure is reviewed on a quarterly basis to ensure that an appropriate level of gearing is being used.

The company calculates its gearing ratio as borrowings, including current and non-current borrowings, divided by total capital as represented by borrowings less cash and cash equivalents plus total equity.

22. **Deferred tax liabilities**

The analysis of deferred tax liabilities is as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| Deferred tax liabilities | - | - |

This gross movement on the deferred tax account is as follows:

| | | |
|---|---|---|
| At the start of the year | - | (1,568) |
| Credited/(charged) to statement of comprehensive income | - | 1,568 |
| At the end of the year | - | - |

The movement in deferred tax liabilities during the year is as follows:

| | Decelerated/ (accelerated) tax depreciation £ | Rolled-over and held over gains £ | Total £ |
|---|---|---|---|
| **At 1 April 2016** | (1,568) | - | (1,568) |
| Tax credit to statement of comprehensive income | 1,568) | - | 1,568 |
| **At 31 March 2017** | - | - | - |
| **At 1 April 2017** | - | - | - |
| Tax credit to statement of comprehensive income | - | - | - |
| **At 31 March 2018** | - | - | - |

23. **Share capital**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Issued and fully paid** | | |
| 50,000 Ordinary shares of £1 each | 50,000 | 50,000 |

24. **Other reserves**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Hedging reserve** | | |
| Cash flow hedges: | | |
| Fair value at the start of the year | (3,128) | (5,178) |
| Fair value of cash flow hedges | (7,033) | 2,050 |
| Fair value at the end of the year | (10,161) | (3,128) |

25. **Retained earnings**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Balance at the start of the year | 10,328,286 | 10,184,117 |
| Profit for the financial year | 186,647 | 144,169 |
| Balance at the end of the year | 10,514,933 | 10,328,286 |

26. **Operating lease arrangements**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Minimum lease payments under operating leases recognised in the statement of comprehensive income for the year | 284,047 | 275,042 |

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Within one year | 253,595 | 274,290 | 57,196 | 70,342 |
| Between two and five years | 424,458 | 423,268 | 17,486 | 69,875 |
| More than five years | - | 7,100 | - | - |
| | 678,053 | 704,658 | 74,682 | 140,217 |

Operating lease payments represent rentals payable by the company.

## 27. Contingent liabilities

At 31 March 2018, the company had the following contingent liabilities:

The company's bankers, HSBC plc have given the following guarantee on behalf of the company:

| | |
|---|---|
| HM Revenue and Customs | £500,000 |
| RBS PLC | £36,935 |

The company has extended an Unlimited Multilateral Guarantee on 28 August 2012 to its subsidiaries, Pacific Logistics Limited and FX Import Company Limited.

The bank has a fixed and floating charge over the assets of the company which is supported by a debenture dated 11 September 2012.

## 28. Capital commitments

Capital commitments contracted for at the balance sheet date but not yet incurred are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | $ | £ | $ | £ |
| Non-current asset investments | 258,400 | 184,160 | 258,400 | 207,500 |

*Amounts have been translated at the exchange rate prevailing at the balance sheet date.

## 29. Notes to the cash flow statement

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| Profit from operations | 188,189 | 172,532 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 95,574 | 72,431 |
| Depreciation of investment property | 24,432 | 26,087 |
| Amortisation of freehold and leasehold | 80,122 | 12,703 |
| **Operating cash inflows before working capital** | 388,317 | 283,753 |
| (Increase)/Decrease in inventories | (108,251) | 139,882 |
| Increase in receivables | (320,765) | (906,339) |
| Decrease in payables | (243,230) | (69,455) |
| **Cash used in operations** | (283,929) | (552,159) |

## 30. Related party transactions

### a) Transactions with related companies

During the year, the company entered into the following transactions with related parties:

| | Sales/management fee FOB transfers/ rent/commissions interest received | | Commission interest paid/ purchases/expenses | | Amounts owed by related party | | Amounts owed to related party | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| FX Import Company Limited, UK | 181,080 | 184,401 | - | - | 790,063* | 859,200* | - | - |
| Global Textile Group Limited, Mauritius | - | - | 8,999 | 21,972 | - | - | - | 561,054 |
| Pearl Global Industries Limited, India | - | - | - | - | - | 9,236 | - | - |
| Norwest Industries Limited, HK | 4,435,146 | 4,769,424 | 686,106 | 769,852 | 351,751 | 2,306,359 | - | - |
| Pacific Logistics Limited, UK | - | - | - | - | 377,049▲ | 372,595▲ | - | - |
| Poetic Knitwear Limited, UK | - | - | - | - | 702,483 | 700,044 | - | - |
| Simple Approach Limited, Hong Kong | - | - | - | - | 11,086 | 3,771 | - | - |
| Spring Near East Manufacturing Limited, Hong Kong | - | - | - | - | 236,092 | 523,847 | - | - |
| Zamira Fashion Limited, Hong Kong | - | - | - | - | 172,804 | 9,159 | - | - |
| 360 Notch Limited, Hong Kong | - | 3,112 | - | - | - | - | - | 33,942 |
| Poeticgem International Limited, Hong Kong | 4,561,119 | 4,119,377 | - | | -1,992,090 | 1,243,469 | - | - |
| Nor Lanka Manufacturing Limited, Sri Lanka | 126,621 | - | 146,192 | 300,009 | - | - | 44,510 | 83,296 |
| JJ Star Industrial Limited | - | - | - | - | 24,451 | 22,971 | - | - |
| Nor India Manufacturing Limited, HKG | - | - | - | - | - | - | - | - |
| PDS Asia Star Corporation Limited, Hong Kong | - | - | - | - | 19,522 | 21,395 | - | - |
| Design Arc Europe Limited | - | - | - | - | 23,590 | - | - | - |
| Multinational Textile Group Limited, Mauritius | - | - | - | 21,000 | - | - | - | 15,517 |
| Poetic Brands Limited | - | - | - | - | 46,358 | - | - | - |
| Casa Forma Limited, UK | - | - | - | - | 19,248 | 2,199 | - | - |
| Sourcing Solutions Limited | - | - | - | - | - | 1,326 | 11,500 | - |
| Techno Design HK Limited, Hong Kong | - | - | - | - | 79 | 79 | - | - |
| Techno Design GMBH, Germany | - | - | - | - | - | 924 | - | - |
| Design Arc UK Ltd, UK | - | - | - | - | 164,081 | 20,000 | - | - |
| Blueprint Design Ltd, Hong Kong | - | - | - | - | 896,304 | 60,851 | - | - |
| Digital Internet Technologies, Hong Kong | - | - | - | - | 973 | 699 | - | - |
| Green Smart Shirts Limited, Bangladesh | - | - | - | - | 586 | 338 | - | - |
| Progress Apparels (Bangladesh) Limited, Bangladesh | - | - | - | - | 5,738 | 924 | - | - |
| Progress Manufacturing Group Ltd, Hong Kong | - | - | - | - | 417 | 417 | - | - |
| Krayon Sourcing Limited, Hong Kong | - | - | - | - | 4,840 | 3,840 | - | - |
| Nor Delhi Manufacturing Ltd, Hong Kong | - | - | - | - | 1,783 | 1,783 | - | - |
| Design Arc Asia Limited, Hong Kong | 84,760 | - | - | - | 84,760 | - | - | - |
| PDS Far-East Limited, Hong Kong | - | - | - | - | - | - | 7,198 | - |
| Twins Asia Limited, Hong Kong | - | - | - | - | 121 | - | - | - |
| PDS Multinational Fashions Ltd, India | - | - | - | - | 200 | 200 | - | - |
| PG Group Limited, Hong Kong | - | - | - | - | 915 | - | - | - |
| Grupo Sourcing Limited, Hong Kong | - | - | - | - | 75 | - | - | - |

The above balances are interest free and repayable on demand

* The amount owed by FX Import Company Limited includes an interest free long-term loan of £451,500 (2017: £451,500).

▲ The amount owed by Pacific Logistics Limited includes an interest free long-term loan of £1,617 (2017: £1,617).

30. **Related party transactions (continued)**

a) **Transactions with related companies (continued)**

The above companies are related as follows:

The ultimate parent company of Poeticgem Limited is PDS Multinational Fashions Limited, India.

The immediate parent company of Poeticgem Limited is Global Textile Group Limited, Mauritius.

Pacific Logistics Limited, FX Import Company Limited and Poetic Knitwear Limited are all wholly owned subsidiaries of Poeticgem Limited.

Nor Lanka Manufacturing Colombo Limited, Sri Lanka is a wholly owned subsidiary of Nor Lanka Manufacturing Limited, Hong Kong, which is a wholly owned subsidiary of Norwest Industries Limited, Hong Kong.

Nor Lanka Manufacturing Limited, Hong Kong, 360 Notch Limited, Hong Kong, PDS Far East Limited and Nor India Manufacturing Limited, Hong Kong are wholly owned subsidiaries of Norwest Industries Limited, Hong Kong.

Multinational Textile Group Limited, Mauritius owns 100% share in Poeticgem International Limited, Hong Kong, 51% share in PG Group Limited, Hong Kong, 51% share in Grupo Sourcing Limited, Hong Kong and 60% share in PDS Asia Star Corporation Limited, Hong Kong.

Casa Forma Limited is a wholly owned subsidiary of Multinational Textile Group Limited, the intermediate parent company of Poeticgem Limited.

Norwest Industries Limited, Hong Kong owns 85% share in Design Arc Asia Limited, Hong Kong, 65% share in Spring Near East Manufacturing Limited, Hong Kong, 50% share in Sourcing Solutions Limited Hong Kong and 57.5% share in JJ Star Industries, Hong Kong.

Multinational Textile Group Limited, Mauritius is a subsidiary of the company's ultimate parent company, PDS Multinational Fashions Limited, India.

Global Textile Group Limited, Mauritius owns 85% share in Design Arc UK Ltd and 100% of Poetic Brands Limited.

Techno Design HK Limited, Hong Kong is a subsidiary of Multinational Textile Group Limited, Mauritius, the intermediate parent company of Poeticgem Limited.

Norwest Industries Limited, Hong Kong owns 80% share in Krayon Sourcing Limited, Hong Kong, 70% share in Design Arc Europe Limited, Hong Kong and 85% share in Twins Asia Limited, Hong Kong.

Norwest Industries Limited, Hong Kong, Zamira Fashion Limited, Hong Kong, Techno Design GmbH, Blueprint Design Ltd, Hong Kong, Nor Delhi Manufacturing Limited, Hong Kong, Digital Internet Technologies Limited, Hong Kong, Green Smart Shirts Limited, Bangladesh, Progress Manufacturing Group Ltd, Bangladesh, Progress Apparels Limited and Simple Approach Limited, Hong Kong are subsidiaries of Multinational Textiles Group Limited, Mauritius.

b) **Loans and advances to / (from) related parties**

| i) **Loans and advances to / (from) key management of the company and their close family members** | **2018 £** | **2017 £** |
|---|---|---|
| At start of the year | (95,814) | (69,336) |
| Amounts advanced during the year | 746,817 | 1,198,522 |
| Amounts repaid during the year | (684,255) | (1,225,000) |
| At end of the year | (33,252) | (95,814) |

The above loans are interest free.

| **Directors' emoluments** | **Salaries/ Bonus £** | **Benefits £** | **2018 £** | **2017 £** |
|---|---|---|---|---|
| Mr Anuj Banaik | 100,000 | 1,499 | 101,499 | 100,971 |

c) **Other transactions with related parties**

During the previous year, the company purchased the issued share capital of F.X. Import Company Limited from Chris Severs, a former director of F.X. Import Company Limited, for £282,000. The liability outstanding at the year-end was £211,320 (2017: £267,900)

31. **Control**

The immediate parent company is Global Textile Group Limited, a company registered in Mauritius, and the ultimate parent company is PDS Multinational Fashions Limited, a company registered in India.

PDS Multinational Fashions Limited prepares group financial statements and copies can be obtained from 758 and 759, 2nd Floor, 19th Main Road, Sector-2, HSR Layout, Bangalore 560102, Karnataka, India.

PDS Multinational Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

# POETICGEM LIMITED

# MANAGEMENT INFORMATION

# FOR THE YEAR ENDED 31 MARCH 2018

**POETICGEM LIMITED**

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2018**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Turnover** | £ | £ | £ | £ |
| Sales | | 5,903,512 | | 7,088,893 |
| Commission receivable | | 8,813,209 | | 8,654,447 |
| | | 14,716,721 | | 15,743,340 |
| **Cost of sales** | | | | |
| Opening stock of finished goods | 1,392 | | 141,274 | |
| Purchases | 5,336,434, | | 7,695,048 | |
| Other direct overheads | 99,338 | | 204,706 | |
| Designing expenses | 26,163 | | 25,153 | |
| Testing charges | 1,563 | | (1,337) | |
| | 5,464,890 | | 8,064,844 | |
| Closing stock of finished goods | (109,643) | | (1,392) | |
| | | (5,355,247) | | (8,063,452) |
| **Gross profit** | | 9,361,474 | | 7,679,888 |
| **Distribution costs** | 1,479,192 | | 1,498,325 | |
| **Administration expenses** | 7,294,833 | | 6,679,619 | |
| | | (8,774,025) | | (8,177,944) |
| | | 587,449 | | (498,056) |
| **Other operating income** | | | | |
| Rent receivable | 124,748 | | 125,248 | |
| Sundry income | 259,000 | | 169,984 | |
| Exchange gain / (loss) | (783,008) | | 375,356 | |
| | | (399,260) | | 670,588 |
| **Operating profit** | | 188,189 | | 172,532 |
| **Finance income** | | | | |
| Other interest receivable | 10,163 | | 14,944 | |
| | | 10,163 | | 14,944 |
| **Finance costs** | | | | |
| Bank interest payable | 2,706 | | 851 | |
| Loan interest payable | 8,999 | | 23,946 | |
| Interest on overdue taxation | - | | 1,057 | |
| | | (11,705) | | (25,854) |
| **Profit before taxation** | | 186,647 | | 161,622 |

**POETICGEM LIMITED**

**SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES**

**FOR THE YEAR ENDED 31 MARCH 2018**

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Distribution costs** | | |
| Agents' commission | 95,156 | 125,663 |
| Advertising and promotion | 5,162 | 1,275 |
| Samples | 533,341 | 694,839 |
| Motor, travel and subsistence | 750,827 | 628,044 |
| Entertaining | 94,706 | 48,504 |
| | 1,479,192 | 1,498,325 |
| **Administrative expenses** | | |
| Wages and salaries (excl. N.I.) | 4,427,508 | 4,060,393 |
| Directors' remuneration | 100,000 | 100,000 |
| Employer's NI contributions | 536,130 | 474,065 |
| Staff pension | 20,244 | 18,052 |
| Staff recruitment | 148,160 | 62,874 |
| Rent | 206,177 | 188,801 |
| Rates | 81,922 | 101,536 |
| Management charges | 180,000 | 240,000 |
| Insurance | 71,475 | 66,119 |
| Staff medical insurance | 34,379 | 33,506 |
| Light and heat | 4,871 | 19,134 |
| Cleaning | 3,833 | 19,822 |
| Repairs and maintenance | 9,663 | 15,082 |
| Postage, stationery and courier | 264,188 | 320,635 |
| Telephone | 94,133 | 96,239 |
| Computer running costs | 94,162 | 85,790 |
| Motor vehicle leasing | 77,870 | 86,241 |
| Legal and professional fees | 62,120 | 57,640 |
| Consultancy fees | 234,205 | 225,937 |
| Audit fees | 25,470 | 25,000 |
| Non-audit fees | 34,339 | 24,723 |
| Bank charges | 37,616 | 74,198 |
| Factoring charges | 16,346 | 11,261 |
| Sundry expenses | 190,943 | 144,092 |
| Charitable donations – other | 138,951 | 17,258 |
| Amortisation on short leasehold | 80,122 | 12,703 |
| Depreciation of investment property | 24,432 | 26,087 |
| Depreciation on fixtures, fittings and equipment | 25,971 | 21,764 |
| Depreciation on plant and machinery | 69,603 | 50,667 |
| | 7,294,833 | 6,679,619 |

**Techno Design GmbH**

Willich

Financial statement as at 31.03.2018

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## Beratende Mitwirkung bei der Aufstellung

Wir haben auftragsgemäß beratend bei der Erstellung des Jahresabschluss - bestehend aus Bilanz, Gewinn- und Verlustrechnung - des Unternehmens

Techno Design GmbH

für das Geschäftsjahr vom 01.04.2017 bis 31.03.2018 mitgewirkt. Grundlage für die Beratung waren die uns vorgelegten Belege, Bücher und Bestandsnachweise, die wir auftragsgemäß nicht geprüft haben, sowie die uns erteilten Auskünfte. Die Buchführung sowie die Aufstellung des Inventars und des Jahresabschlusses nach den deutschen handelsrechtlichen Vorschriften liegen in der Verantwortung der gesetzlichen Vertreter der Gesellschaft.

Wir haben unseren Auftrag nicht unter Beachtung der Verlautbarung der Bundessteuerberaterkammer zu den Grundsätzen für die Erstellung von Jahresabschlüssen durchgeführt. Auftragsgemäß haben wir keine Beurteilung der Richtigkeit und Vollständigkeit der Dokumente und der von der Firma bereitgestellten Informationen durchgeführt.

**Support in an advisory function for the preparation of the financial statements**

**- German version prevails-**

In accordance with the terms of our engagement, we have supported in an advisory function in the preparation of the following annual financial statements - comprising the balance sheet and the income statement - for

Techno Design GmbH

for the period from 01. April 2017 to 31. March 2018 (financial statements). The basis for the support in an advisory function were accounting records, invoices and other supporting documentations presented to us, which we have not been checked or audited in accordance with the terms of our engagement, and the information provided to us. The bookkeeping system and the annual financial statements in accordance with the provisions of German commercial law are the responsibility of the management of the company.

We have not performed our engagement in accordance with the Verlautbarung der Bundessteuerberaterkammer zu den Grundsätzen für die Erstellung von Jahresabschlüssen (Pronouncement by the German Federal Chamber of Tax Advisers on the Principles for the Preparation of Annual Financial Statements). According to our engagement no assessment of the accuracy and completeness of the documents and informations provided by the company was carried out.

Gronau-Epe, den 09.05.2018

**Hartmann & Partner**
**Steuerberatungsgesellschaft mbB**

Lindner
(Steuerberater)

Leuders
(Steuerberater )

**Balance Sheet**

**Techno Design GmbH**
**Willich**

**as at**

**31.03.2018**

## ASSETS

| | 31.03.2018 Euro | 31.03.2017 Euro |
|---|---|---|
| **A. Fixed assets** | | |
| I. Intangible fixed assets | | |
| Purchased concessions, industrial and similar rights and assets and licences in such rights and assets | 0,00 | 4,00 |
| II. Tangible fixed assets | | |
| Other equipment, operating and office equipment | 4.829,50 | 5.020,00 |
| **B. Current assets** | | |
| I. Inventories | | |
| Finished goods and merchandise | 86.844,07 | 113.338,81 |
| II. Receivables and other assets | | |
| 1. Trade receivables | 2.256.861,81 | 1.769.511,75 |
| 2. Other assets | 99.422,22 | 92.650,81 |
| | 2.356.284,03 | 1.862.162,56 |
| III. Cash-in-hand, central bank balances, bank balances and cheques | 123.403,38 | 533.913,48 |
| **C. Prepaid expenses** | 8.903,78 | 5.122,22 |
| **D. Deficit not covered by equity** | 309.486,13 | 379.990,97 |
| | 2.889.750,89 | 2.899.552,04 |

## Equity and liabilities

| | 31.03.2018 Euro | 31.03.2017 Euro |
|---|---|---|
| **A. Equity** | | |
| I. Subscribed capital | 100.000,00 | 100.000,00 |
| II. Accumulated losses brought forward | 479.990,97- | 703.497,98- |
| III. Net income for the financial year | 70.504,84 | 223.507,01 |
| Deficit not covered | 309.486,13 | 379.990,97 |
| Book equity | 0,00 | 0,00 |
| **B. Provisions** | | |
| Other provisions | 49.897,96 | 10.000,00 |
| **C. Liabilities** | | |
| 1. Trade payables | 757.594,02 | 112.229,35 |
| 2. Liabilities to affiliated companies | 2.073.035,78 | 2.728.785,32 |
| 3. Other liabilities | 9.223,13 | 48.537,37 |
| | 2.839.852,93 | 2.889.552,04 |
| - of which taxes Euro 8.687,61 (Euro 47.041,38) | | |
| - of which social security Euro 0,00 (Euro 229,72) | | |
| | 2.889.750,89 | 2.899.552,04 |

**Profit and Loss Account for the period** 01.04.2017 to 31.03.2018

**Techno Design GmbH**



| | Financial year Euro | Prior year Euro |
|---|---|---|
| 1. Sales | 5.989.367,91 | 5.556.637,91 |
| **2. Gross revenue for the period** | 5.989.367,91 | 5.556.637,91 |
| 3. Other operating income | | |
| a) Income from reversal of provisions | 1.400,00 | 1.052,10 |
| b) Miscellaneous other operating income | 228.973,90 | 96.232,92 |
| | 230.373,90 | 97.285,02 |
| - of which currency translation gains Euro 204.410,17 (Euro 65.059,80) | | |
| 4. Cost of materials | | |
| a) Cost of raw materials, consumables and supplies and of purchased merchandise | 4.582.917,05 | 4.176.860,07 |
| b) Cost of purchased services | 726.454,03 | 579.716,91 |
| | 5.309.371,08 | 4.756.576,98 |
| 5. Personnel expenses | | |
| a) Wages and salaries | 280.157,83 | 210.704,86 |
| b) Social security, post-employment and other employee benefit costs | 50.498,87 | 41.426,46 |
| | 330.656,70 | 252.131,32 |
| 6. Depreciation, amortisation and write-downs | | |
| Amortisation and write-downs of intangible fixed assets and depreciation and write downs of tangible fixed assets | 3.933,08 | 5.870,52 |
| 7. Other operating expenses | | |
| a) Occupancy costs | 48.484,63 | 45.300,12 |
| b) Insurance premiums, fees and contributions | 18.199,31 | 18.956,17 |
| c) Cost of third-party repairs and maintenance | 13.106,96 | 12.299,35 |
| d) Vehicle fleet expenses | 50.142,09 | 37.635,29 |
| e) Advertising and travel expenses | 104.835,02 | 72.087,06 |
| f) Selling and distribution expenses | 40.876,61 | 49.392,62 |
| g) Miscellaneous operating costs | 74.398,03 | 54.871,88 |
| h) Losses on disposal of fixed assets | 10,00 | 847,86 |
| i) Losses on write-downs or on disposal of current assets and transfers to valuation allowances on receivables | 13.478,35 | 0,00 |
| j) Miscellaneous other operating expenses | 143.530,89 | 126.278,15 |
| | 507.061,89 | 417.668,50 |
| - of which currency translation losses Euro 142.775,89 (Euro 99.231,57) | | |
| 8. Other interest and similar income | 2.570,06 | 2.486,65 |
| **9. Net income/net loss after tax** | 71.289,12 | 224.162,26 |
| 10. Other taxes | 784,28 | 655,25 |
| **11. Net income for the financial year** | 70.504,84 | 223.507,01 |

ASSETS

| Account | Designation | Financial year Euro | Prior year Euro |
|---|---|---|---|
| | **Purchased concessions, industrial and similar rights and assets and licences in such rights and assets** | | |
| 0135 | Computer software | 0,00 | 4,00 |
| | **Other equipment, operating and office equipment** | | |
| 0650 | Office fittings | 3.809,50 | 3.847,00 |
| 0670 | Low-value assets | 0,00 | 0,00 |
| 0690 | Other operating and office equipment | 1.020,00 | 1.173,00 |
| | | 4.829,50 | 5.020,00 |
| | **Finished goods and merchandise** | | |
| 1100 | Merchandise (inventories) | 47.245,74 | 52.792,81 |
| 1140 | Merchandise (inventories) | 39.598,33 | 60.546,00 |
| | | 86.844,07 | 113.338,81 |
| | **Trade receivables** | | |
| 1200 | Trade receivables | 2.259.224,55 | 1.774.522,90 |
| 1240 | Doubtful receivables | 5.112,18 | 0,00 |
| 1246 | Spec valuatn allownces rec due w/in 1y | 5.112,18- | 0,00 |
| 9960 | Valuation adjustmt, trade receivables | 2.362,74- | 5.011,15- |
| | | 2.256.861,81 | 1.769.511,75 |
| | **Other assets** | | |
| 1300 | Other assets | 3.699,03 | 0,00 |
| 1341 | Rcvbls employees due w/in 1 year | 200,00 | 500,00 |
| 1342 | Receivables Braun | 0,00 | 52,00 |
| 1350 | Security deposits | 7.350,00 | 7.350,00 |
| 1360 | Loans | 86.107,38 | 83.537,32 |
| 1434 | Input tax ded. following period/year | 0,00 | 1.211,49 |
| 3300 | Trade payables | 2.065,81 | 0,00 |
| | | 99.422,22 | 92.650,81 |
| | **Cash-in-hand, central bank balances, bank balances and cheques** | | |
| 1600 | Cash-in-hand | 51,19 | 767,14 |
| 1800 | Sparkasse Krefeld | 33.069,27 | 198.000,22 |
| 1820 | Sparkasse Krefeld US$ | 90.282,92 | 335.146,12 |
| | | 123.403,38 | 533.913,48 |
| | **Prepaid expenses** | | |
| 1900 | Prepaid expenses | 8.903,78 | 5.122,22 |
| | **Deficit not covered by equity** | | |
| | Deficit not covered by equity | 309.486,13 | 379.990,97 |
| | Total assets | 2.889.750,89 | 2.899.552,04 |

Equity and liabilities

| Account | Designation | Financial year Euro | Prior year Euro |
|---|---|---|---|
| | **Subscribed capital** | | |
| 2900 | Subscribed capital | 100.000,00 | 100.000,00 |
| | **Accumulated losses brought forward** | | |
| 2978 | Accumltd losses bef apprprtn net prft | 479.990,97- | 703.497,98- |
| | **Net income for the financial year** | | |
| | Net income for the financial year | 70.504,84 | 223.507,01 |
| | **Deficit not covered** | | |
| | Deficit not covered | 309.486,13 | 379.990,97 |
| | **Other provisions** | | |
| 3070 | Other provisions | 2.000,00 | 1.000,00 |
| 3074 | Provisions for personnel expenses | 35.997,96 | 0,00 |
| 3095 | Provsns period-end closing/ audit costs | 9.200,00 | 6.300,00 |
| 3096 | Provsns for record retntn obligations | 2.700,00 | 2.700,00 |
| | | 49.897,96 | 10.000,00 |
| | **Trade payables** | | |
| 3300 | Trade payables | 1.933.333,02 | 120.812,10 |
| 3349 | Contra acc 3335-3348/3420-3449/3470-3499 | 1.176.116,02- | 8.364,35- |
| 9964 | Valuation adjustmt, trade payables | 377,02 | 218,40- |
| | | 757.594,02 | 112.229,35 |
| | **of which due within one year Euro 757.594,02 (Euro 112.229,35)** | | |
| 3300 | Trade payables | | |
| 3349 | Contra acc 3335-3348/3420-3449/3470-3499 | | |
| 9964 | Valuation adjustmt, trade payables | | |
| | **Liabilities to affiliated companies** | | |
| 3400 | Liab. IC Techno Design HK Ltd. | 329.642,38 | 2.233.969,44 |
| 3401 | Liab. IC MTGL | 451.547,05 | 441.423,80 |
| 3420 | Trade payables IC Norwest | 123.420,43 | 21.744,22 |
| 3421 | Trade payables IC Techno Design HK Ltd. | 1.168.425,92 | 8.364,35 |
| 9966 | Valuation adjustmt., liab.IC | 0,00 | 23.283,51 |
| | | 2.073.035,78 | 2.728.785,32 |
| | **of which due within one year Euro 2.073.035,78 (Euro 2.728.785,32)** | | |
| 3400 | Liab. IC Techno Design HK Ltd. | | |
| 3401 | Liab. IC MTGL | | |
| 3420 | Trade payables IC Norwest | | |
| 3421 | Trade payables IC Techno Design HK Ltd. | | |
| 9966 | Valuation adjustmt., liab.IC | | |
| | **Other liabilities** | | |
| 1401 | Deductible input tax, 7% | 493,87- | 416,29- |
| 1406 | Deductible input tax, 19% | 45.737,63- | 60.106,62- |
| 1407 | Dedctbl inpt tax sec 13b UStG 19% | 2.274,50- | 1.320,19- |
| 1433 | Acquisition tax liability | 9.960,21- | 19.592,42- |
| 3500 | Other liabilities | 535,52 | 1.266,27 |
| | | 57.930,69- | 80.169,25- |
| Carry forward | | 2.880.527,76 | 2.851.014,67 |

Equity and liabilities

| Account | Designation | Financial year Euro | Prior year Euro |
|---|---|---|---|
| Carry forward | | 2.880.527,76 | 2.851.014,67 |
| | | 57.930,69- | 80.169,25- |
| | **Other liabilities** | | |
| 3730 | Wage and church tax payables | 3.781,01 | 3.394,05 |
| 3740 | Social security liabilities | 0,00 | 229,72 |
| 3806 | VAT, 19% | 185.867,40 | 218.482,77 |
| 3820 | VAT prepayments | 129.527,63- | 139.160,03- |
| 3830 | VAT prepayments 1/11 | 13.402,00- | 0,00 |
| 3837 | VAT under section 13b UStG, 19% | 2.274,50 | 1.320,19 |
| 3840 | VAT, current year | 18.746,28 | 44.439,92 |
| 3841 | VAT, previous year | 585,74- | 0,00 |
| | | 9.223,13 | 48.537,37 |
| | **of which taxes Euro 8.687,61 (Euro 47.041,38)** | | |
| 1401 | Deductible input tax, 7% | | |
| 1406 | Deductible input tax, 19% | | |
| 1407 | Dedctbl inpt tax sec 13b UStG 19% | | |
| 1433 | Acquisition tax liability | | |
| 3730 | Wage and church tax payables | | |
| 3806 | VAT, 19% | | |
| 3820 | VAT prepayments | | |
| 3830 | VAT prepayments 1/11 | | |
| 3837 | VAT under section 13b UStG, 19% | | |
| 3840 | VAT, current year | | |
| 3841 | VAT, previous year | | |
| | **of which social security Euro 0,00 (Euro 229,72)** | | |
| 3740 | Social security liabilities | | |
| | **of which due within one year Euro 9.223,13 (Euro 48.537,37)** | | |
| 1401 | Deductible input tax, 7% | | |
| 1406 | Deductible input tax, 19% | | |
| 1407 | Dedctbl inpt tax sec 13b UStG 19% | | |
| 1433 | Acquisition tax liability | | |
| 3500 | Other liabilities | | |
| 3730 | Wage and church tax payables | | |
| 3740 | Social security liabilities | | |
| 3806 | VAT, 19% | | |
| 3820 | VAT prepayments | | |
| 3830 | VAT prepayments 1/11 | | |
| 3837 | VAT under section 13b UStG, 19% | | |
| 3840 | VAT, current year | | |
| 3841 | VAT, previous year | | |
| | Total Equity and liabilities | 2.889.750,89 | 2.899.552,04 |

| Account | Designation | Financial year Euro | Prior year Euro |
|---|---|---|---|
| | **Sales** | | |
| 4120 | Tax-exempt sales, section 4 no.1a UStG | 0,00 | 43.726,87 |
| 4125 | Tx-xmpt intra-EU dlvrs 4 no. 1b UStG | 0,00 | 16.978,05 |
| 4338 | Tax-exempt sales 3rd country | 4.973.301,18 | 4.306.719,77 |
| 4400 | Revenue, 19% VAT | 425.385,99 | 808.909,19 |
| 4401 | Revenue, 19% VAT Sample Sale | 226,05 | 550,86 |
| 4560 | Commission revenue | 65.363,69 | 52.750,88 |
| 4569 | Commission revenue, 19% VAT | 567.907,51 | 330.383,95 |
| 4700 | Sales allowances | 10.634,26- | 0,00 |
| 4720 | Sales allowances, 19% VAT | 7.277,26- | 799,35- |
| 4736 | Cash discounts granted, 19% VAT | 13.066,69- | 0,00 |
| 4760 | Volume discounts granted, 19% VAT | 11.838,30- | 2.582,31- |
| | | 5.989.367,91 | 5.556.637,91 |
| | **Income from reversal of provisions** | | |
| 4930 | Income from reversal of provisions | 1.400,00 | 1.052,10 |
| | **Miscellaneous other operating income** | | |
| 4680 | Non-cash benefits (goods), 19% VAT | 0,00 | 1.508,00 |
| 4830 | Other operating income | 4.283,52 | 1.257,90 |
| 4836 | Other regular operating income, 19% VAT | 0,00 | 4.387,40 |
| 4840 | Currency translation gains | 204.410,17 | 65.059,80 |
| 4947 | Allctd.oth.n-c bnfts provsn car, 19% VAT | 15.436,35 | 7.551,72 |
| 4960 | Prior-period income | 0,00 | 10.571,28 |
| 4970 | Insurance recoveries/compensation paymts | 3.943,85 | 1.039,06 |
| 4972 | Refunds AAG | 900,01 | 4.857,76 |
| | | 228.973,90 | 96.232,92 |
| | **of which currency translation gains Euro 204.410,17 (Euro 65.059,80)** | | |
| 4840 | Currency translation gains | | |
| | **Cost of raw materials, consumables and supplies and of purchased merchandise** | | |
| 5200 | Cost of merchandise | 4.523.057,65 | 4.069.983,23 |
| 5400 | Cost of merchandise, 19% input tax | 0,00 | 67.759,00 |
| 5700 | Trade discounts | 5.280,21 | 34.540,51 |
| 5800 | Delivery costs | 29.159,32 | 33.622,01 |
| 5840 | Customs and import duties | 25.419,87 | 29.902,04 |
| 5880 | Chngs invntries r/c/s, purch. merch. | 0,00 | 1.599,28 |
| 5881 | Changes in inventories of purch.merch. | 0,00 | 60.546,00- |
| | | 4.582.917,05 | 4.176.860,07 |
| | **Cost of purchased services** | | |
| 5900 | Purchased services | 1.632,62 | 0,00 |
| 5906 | Purchased services, 19% input tax | 46.292,11 | 43.148,92 |
| 5909 | Purchased services, no input tax | 678.529,30 | 536.567,99 |
| | | 726.454,03 | 579.716,91 |
| | **Wages and salaries** | | |
| 6020 | Salaries | 236.833,36 | 202.834,80 |
| 6024 | Mangng dir. salar. shrehldrs LLC (GmbH) | 35.997,96 | 0,00 |
| 6035 | Wages for marginal part-time work | 5.830,34 | 6.633,50 |
| 6040 | Flat-rate tax on casual labour wages | 27,00 | 132,67 |
| 6069 | Flat-rate tax on other benefits | 419,13 | 145,68 |
| | | 279.107,79 | 209.746,65 |
| Carry forward | | 910.370,73 | 897.345,95 |

| Account | Designation | Financial year Euro | Prior year Euro |
|---|---|---|---|
| Carry forward | | 910.370,73 | 897.345,95 |
| | | 279.107,79 | 209.746,65 |
| | **Wages and salaries** | | |
| 6072 | Non-cash bnft/ serv employees | 1.050,04 | 958,21 |
| | | 280.157,83 | 210.704,86 |
| | **Social security, post-employment and other employee benefit costs** | | |
| 6110 | Statutory social security expenses | 49.486,59 | 40.199,44 |
| 6120 | Contrb. to occup. health/safety agency | 1.012,28 | 1.227,02 |
| | | 50.498,87 | 41.426,46 |
| | **Depreciation, amortisation and write-downs** | | |
| | **Amortisation and write-downs of intangible fixed assets and depreciation and write downs of tangible fixed assets** | | |
| 6220 | Depreciation of tangible fixed assets | 2.243,19 | 4.337,33 |
| 6260 | Immediate write-off of low-value assets | 1.689,89 | 1.533,19 |
| | | 3.933,08 | 5.870,52 |
| | **Occupancy costs** | | |
| 6310 | Rent (immovable property) | 35.721,00 | 33.600,00 |
| 6315 | Real property leases (immovable prop.) | 5.999,60 | 5.463,46 |
| 6325 | Gas, electricity, water | 2.578,78 | 2.007,69 |
| 6330 | Cleaning | 2.131,26 | 2.066,67 |
| 6335 | Maintenance of operating premises | 2.053,99 | 2.162,30 |
| | | 48.484,63 | 45.300,12 |
| | **Insurance premiums, fees and contributions** | | |
| 6400 | Insurance premiums | 12.576,75 | 11.962,79 |
| 6420 | Contributions | 5.602,56 | 6.993,38 |
| 6436 | Late filing penalties/ admin. fines | 20,00 | 0,00 |
| | | 18.199,31 | 18.956,17 |
| | **Cost of third-party repairs and maintenance** | | |
| 6490 | Other repairs and maintenance | 420,00 | 459,00 |
| 6495 | Hardware / software maintenance expenses | 12.686,96 | 11.840,35 |
| | | 13.106,96 | 12.299,35 |
| | **Vehicle fleet expenses** | | |
| 6520 | Motor vehicle insurance | 7.175,50 | 4.664,78 |
| 6530 | Current motor vehicle operat. costs | 9.111,83 | 5.941,40 |
| 6540 | Motor vehicle repairs | 7.193,15 | 6.925,77 |
| 6560 | Operating leases (motor vehicles) | 25.629,14 | 17.077,54 |
| 6570 | Other motor vehicle expenses | 0,00 | 3.025,80 |
| 6595 | Third-party vehicle expenses | 1.032,47 | 0,00 |
| | | 50.142,09 | 37.635,29 |
| | **Advertising and travel expenses** | | |
| 6600 | Advertising costs | 2.992,82 | 3.774,57 |
| 6610 | Gifts, deductible, without s. 37b EStG | 0,00 | 31,92 |
| 6611 | N-c bnft. 3rd part., dedctlb, s.37b EStG | 189,33 | 0,00 |
| 6621 | Gifts, non-dedctbl, with s. 37b EStG | 243,79 | 0,00 |
| 6640 | Entertainment expenses | 7.397,85 | 5.439,23 |
| | | 10.823,79 | 9.245,72 |
| Carry forward | | 445.847,96 | 525.153,18 |

| Account | Designation | Financial year Euro | Prior year Euro |
|---|---|---|---|
| Carry forward | | 445.847,96 | 525.153,18 |
| | | 10.823,79 | 9.245,72 |
| | **Advertising and travel expenses** | | |
| 6643 | Small gifts | 1.777,59 | 1.674,03 |
| 6644 | Non-deductible entertainm. expenses | 3.170,50 | 2.331,11 |
| 6650 | Employee travel expenses | 89.063,14 | 58.836,20 |
| | | 104.835,02 | 72.087,06 |
| | **Selling and distribution expenses** | | |
| 6700 | Selling and distribution expenses | 0,00 | 112,50 |
| 6701 | Samples | 5.492,44 | 9.013,23 |
| 6740 | Courier charges | 35.384,17 | 40.266,89 |
| | | 40.876,61 | 49.392,62 |
| | **Miscellaneous operating costs** | | |
| 6300 | Other operating expenses | 20.947,67 | 0,00 |
| 6800 | Postage | 172,90 | 161,89 |
| 6805 | Telephone | 7.445,65 | 10.334,02 |
| 6810 | Fax and Internet costs | 154,42 | 80,38 |
| 6815 | Office supplies | 5.228,13 | 5.201,89 |
| 6820 | Newspapers, books (specialist lit.) | 591,84 | 510,09 |
| 6825 | Legal and consulting costs | 4.249,71 | 13.226,47 |
| 6827 | Period-end closing and audit costs | 11.966,00 | 11.892,25 |
| 6830 | Bookkeeping costs | 2.425,60 | 2.259,80 |
| 6840 | Operating leases fr op./office equipment | 2.047,02 | 1.571,22 |
| 6855 | Incidental monetary transaction costs | 19.169,09 | 9.273,87 |
| 6859 | Environmtl remed./ waste disposal expns | 0,00 | 360,00 |
| | | 74.398,03 | 54.871,88 |
| | **Losses on disposal of fixed assets** | | |
| 6895 | Disposals tngbl fxd ass. net carr. amnt. | 6,00 | 847,86 |
| 6896 | Dispsl intngbl fxd ass. net carr. amnt. | 4,00 | 0,00 |
| | | 10,00 | 847,86 |
| | **Losses on write-downs or on disposal of current assets and transfers to valuation allowances on receivables** | | |
| 6923 | Transfer spec. valuatn allownc rcvbls | 5.112,18 | 0,00 |
| 6930 | Bad debt allowances (normal amount) | 8.366,17 | 0,00 |
| | | 13.478,35 | 0,00 |
| | **Miscellaneous other operating expenses** | | |
| 6390 | Non-cash bnfts, dntns, non-tx dedctbl | 0,00 | 1.992,52 |
| 6880 | Currency translation losses | 142.775,89 | 99.231,57 |
| 6960 | Prior-period expenses | 755,00 | 25.054,06 |
| | | 143.530,89 | 126.278,15 |
| | **of which currency translation losses Euro 142.775,89 (Euro 99.231,57)** | | |
| 6880 | Currency translation losses | | |
| | **Other interest and similar income** | | |
| 7110 | Other interest income | 2.570,06 | 2.486,65 |
| | **Other taxes** | | |
| 7685 | Motor vehicle tax | 784,28 | 655,25 |
| Carry forward | | 70.504,84 | 223.507,01 |

| Account | Designation | Financial year Euro | Prior year Euro |
|---|---|---|---|
| Carry forward | | 70.504,84 | 223.507,01 |
| | **Net income for the financial year** | | |
| | Net income for the financial year | 70.504,84 | 223.507,01 |

# Appendices

*Note: The following is a convenience translation of the attached form no. 5.1 published by DWS-Verlag; only the German original shall be legally binding*

# General terms and conditions for German tax advisors *(Steuerberater, Steuerbevollmächtigte)* and firms of tax advisors *(Steuerberatungsgesellschaften)*

as of November 2016

These "general terms and conditions" shall govern contracts between tax advisors *(Steuerberater, Steuerbevollmächtigte)* as well as firms of tax advisors *(Steuerberatungsgesellschaften)* (hereinafter collectively referred to as the 'Tax Advisors', and each of them a 'Tax Advisor') and their clients *(Auftraggeber)*, unless otherwise expressly agreed in text form *(Textform)* or prescribed by law.

1. Scope and execution of the engagement
   (1) The scope of the services to be rendered by the Tax Advisor shall be governed by the specific engagement. The engagement shall be executed in accordance with the principles of proper professional practice and in compliance with the relevant rules of professional conduct and professional obligations (cf. German Act Regulating the Profession of Tax Advisors *[Steuerberatungsgesetz – StBerG]*, German Professional Code of Conduct for Tax Advisors *[Berufsordnung der Steuerberater – BOStB]*).
   (2) Foreign law shall only be taken into account if this has been expressly agreed in text form.
   (3) In the event that the legal position changes after a matter has been conclusively completed, the Tax Advisor shall not be under any obligation to alert the client to such change or the resulting implications.
   (4) The review of the documents and figures provided to the Tax Advisor, in particular the accounts and balance sheet, with regard to accuracy, completeness and conformity with applicable rules shall not form part of the engagement unless otherwise expressly agreed in text form. The Tax Advisor will assume that the information provided by the client, in particular the figures, is correct and will use it as a basis for his/her work. To the extent that he/she detects any evident inaccuracies, the Tax Advisor shall be obliged to point them out.
   (5) The engagement shall not be deemed to constitute an authorization to represent the client before public authorities, courts and other bodies. Such authorization would need to be granted separately. Where, owing to the client's absence, it proves impossible to coordinate with him/her as to the filing of legal remedies, the Tax Advisor shall be deemed, in case of doubt, to be both authorized and obliged to take action with a view to meeting a deadline.
2. Duty of confidentiality
   (1) In accordance with the law, the Tax Advisor shall be under a duty to maintain confidentiality with regard to all facts that have come to his/her attention in connection with the execution of the engagement unless the client releases him/her from this duty. The duty of confidentiality shall continue even beyond a termination of the contractual relationship. The duty of confidentiality shall apply, to the same extent, to the Tax Advisor's staff.
   (2) The duty of confidentiality shall not apply to the extent that a disclosure is necessary in order to protect the Tax Advisor's legitimate interests. Furthermore, the Tax Advisor is hereby released from the duty of confidentiality to the extent that, under the terms and conditions of his/her professional liability insurance, he/she has a duty to provide information and cooperate.
   (3) The foregoing shall not affect any statutory rights to refuse to provide information or to refuse to testify under sect. 102 German General Tax Code *(Abgabenordnung – AO)*, sect. 53 German Code of Criminal Procedure *(Strafprozessordnung – StPO)* and sect. 383 German Code of Civil Procedure *(Zivilprozessordnung – ZPO)*.
   (4) The Tax Advisor is hereby released from the duty of confidentiality to the extent that (i) this is necessary for purposes of carrying out a certification audit in the Tax Advisor's firm and (ii) the individuals who are acting in this regard, for their part, have been instructed as to their duty of confidentiality. The client hereby agrees that the person carrying out the certification/audit may inspect the client file which was created and is being maintained by the Tax Advisor.
3. Involvement of third parties
   The Tax Advisor shall be entitled to involve staff, third-party experts as well as data-processing companies for purposes of executing of the engagement. When bringing in third-party experts and data-processing companies, the Tax Advisor shall ensure that they give an undertaking to maintain confidentiality in accordance with clause 2(1) above. Under no circumstances shall the Tax Advisor bear any liability in relation to the services provided by anyone brought in; for purposes of liability law, those brought in shall not constitute 'persons employed in performing a contractual obligation for whom the Tax Advisor is vicariously liable' *(Erfüllungsgehilfen)* (hereinafter the 'vicarious agents'). Where the Tax Advisor has recommended the involvement of a third party whom the Tax Advisor has identified by name, the Tax Advisor shall only be liable for his/her having duly selected the person who was brought in.

3a. Electronic communication, data protection
   (1) In the context of the engagements, the Tax Advisor shall be entitled to electronically collect personal data of the client and the client's staff and to process such data in an automated file or to transmit such data to a service computer center for further processing of the data related to the engagement.
   (2) In order to satisfy his/her obligations under the German Federal Data Protection Act *(Bundesdatenschutzgesetz – BDSG)*, the Tax Advisor shall be entitled to appoint a data-protection officer. Unless this data-protection officer is already subject to a duty of confidentiality under clause 2(1) sent. 3 above, the Tax Advisor shall ensure that the data-protection officer, upon taking up his/her activity, shall undertake to maintain data secrecy.
   (3) By providing a fax number or an email address to the Tax Advisor, the client agrees — until further notice or until express instruction to the contrary — to the Tax Advisor using these contact details to send any information related to the engagement to the client without any restrictions. The client hereby warrants that only he/she or individuals mandated by him/her has/have access to the receiving/sending device and/or the email account and that he/she will check the same for incoming messages on a regular basis. The client shall be obliged to notify the Tax Advisor of any restrictions, e.g. if the receiving/sending device and/or the email account is only intermittently checked for incoming messages or if transmissions are desired upon prior notice only. The Tax Advisor does not accept any liability for the security of any data and information transmitted via unencrypted emails nor shall he/she be liable for any loss/damage suffered by the client in this respect. To the extent that the client possesses the technical means for the use of signature procedures and encryption procedures and wishes that they be used, he/she shall notify the Tax Advisor accordingly in a timely manner; any resulting costs incurred by the Tax Advisor (e.g. for acquiring and setting up any necessary software/hardware) shall be borne by the client.
4. Remedying of deficiencies
   (1) The client shall have a right to demand that any deficiencies be remedied. The Tax Advisor must be afforded an opportunity to take remedial action. If and to the extent that the engagement constitutes a contract for services *(Dienstvertrag)* within the meaning of sects. 611, 675 German Civil Code *(Bürgerliches Gesetzbuch – BGB)*, the client may refuse any remedial action by the Tax Advisor if the engagement is terminated by the client and the deficiency is detected only after the engagement has been validly terminated.
   (2) Should the Tax Advisor fail to remedy the asserted deficiencies within a reasonable period or refuse to remedy the deficiencies, then the client may, at the Tax Advisor's expense, have the deficiencies remedied by another Tax Advisor and/or — at the client's choice — demand a reduction of the fees or rescission of the contract.
   (3) The Tax Advisor may at any time, also vis-à-vis third parties, correct obvious inaccuracies (e.g. clerical errors, or errors in calculation). Other deficiencies may be corrected by the Tax Advisor vis-à-vis third parties subject to the client's consent. Such consent shall not be required where the Tax Advisor's legitimate interests take precedence over the client's interests.
5. Liability
   (1) The liability of the Tax Advisor and his/her vicarious agents for any loss/damage resulting from one breach of duty or — in the context of a uniform injurious effect *(einheitliche Schadensfolge)* — from several breaches of duty on the occasion of executing an engagement shall be capped at EUR 4.000.000,00 [1] (in words: four Million euros). The limitation of liability shall apply in relation to negligence only; liability for intent shall not be subject to such limitation. Liability claims in relation to any loss/damage arising from injuries to life, body or health shall be excluded from this limitation of liability. The limitation of liability shall apply to the Tax Advisor's entire activity for the client, i.e. also, in particular, to an extension to the scope of the engagement; in this regard, there shall be no need for agreeing the limitation of liability again. The limitation of liability shall also apply in the case of the establishment of a joint practice *(Sozietät)*/partnership company *(Partnerschaft)* and assumption of the engagement by the joint practice/partnership company

1) Please insert amount as appropriate. In order to be able to take advantage of this provision, an amount of at least EUR 1 million must be specified, and the contractual amount insured must be at least EUR 1 million for the individual damage event; otherwise para. 1 needs to be deleted. Please also refer to the further comments contained in instruction leaflet no. 1001.

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as well as for partners who join the joint practice/partnership company. Furthermore, the limitation of liability shall also apply vis-à-vis third parties to the extent that these fall within the scope of protection of the engagement; in this regard, sect. 334 German Civil Code is expressly not waived. Any agreements, contained in individual contracts, providing for a limitation of liability shall take precedence over this provision but — unless otherwise expressly stipulated — shall not affect the validity of this provision.

(2) Provided there was a sufficiently high insurance cover in place, the limitation of liability shall apply retroactively from the beginning of the engagement or, as the case may be, from the point of taking out higher insurance cover. If the scope of the engagement is subsequently modified or expanded, then the limitation of liability shall also extend to these cases.

6. Duties on the part of the client; client's failure to cooperate and client's default of acceptance

(1) The client shall be obliged to cooperate to the extent that this is necessary in order for the engagement to be duly executed. In particular, he/she shall submit to the Tax Advisor, unprompted, a complete set of all documents necessary in order to execute the engagement; such submission shall occur in such a timely manner as to afford the Tax Advisor a reasonable processing time. The same shall apply with regard to briefings about all events and circumstances which may be of importance for purposes of executing the engagement. The client shall be obliged to take note of all written and oral communications issued by the Tax Advisor and to consult him/her when in doubt.

(2) The client shall refrain from anything that may prejudice the independence of the Tax Advisor or the Tax Advisor's vicarious agents.

(3) The client hereby undertakes to pass on the results of the Tax Advisor's work only with the Tax Advisor's consent unless the consent to such results being passed on to a specific third party already flows from the content of the engagement.

(4) Should the Tax Advisor employ data-processing programs at the client's premises, then the client shall be obliged to comply with the instructions by the Tax Advisor with regard to installation and application of such programs. In addition, the client shall be obliged to only use the programs within the scope prescribed by the Tax Advisor, which shall also be the scope of use to which the client is entitled. The client must not disseminate the programs. The Tax Advisor shall remain the owner of the rights of use. The client shall refrain from anything which constitutes an obstacle to the exercise by the Tax Advisor of the rights of use with regard to the programs.

(5) Should the client fail to comply with a duty to cooperate incumbent on him/her under clause 6(1) – (4) or as provided for elsewhere or be in default of acceptance in relation to the services tendered by the Tax Advisor, then the Tax Advisor shall have the right to terminate the contract without notice (cf. clause 9(3)). This shall not affect the Tax Advisor's claim to be compensated for the additional expenses incurred by him/her owing to the client's default or failure to cooperate as well as for any loss/damage caused, even in the event that the Tax Advisor opts not to exercise his/her right of termination.

7. Copyright protection

The services rendered by the Tax Advisor constitute his/her intellectual property. They are protected by copyright. Beyond their intended use, work results may be passed on only upon prior written consent by the Tax Advisor.

8. Fees, advance payment and offsetting

(1) The Tax Advisor's fees (professional fees and reimbursement of out-of-pocket expenses) for his/her professional activity in accordance with sect. 33 German Act Regulating the Profession of Tax Advisors shall be determined pursuant to the German Regulation on Tax Advisors' Fees *(Steuerberatervergütungsverordnung – StBVV)*. Fees above or below the statutory fees may be agreed in text form. Agreeing fees below the statutory fees is permissible in out-of-court matters only. Such lower fees must bear an adequate relation to the services, responsibility and liability risk of the Tax Advisor (sect. 4(3) German Regulation on Tax Advisors' Fees).

(2) For activities not dealt with in the Regulation on Fees (e.g. sect. 57(3) nos. 2 and 3 German Act Regulating the Profession of Tax Advisors), the applicable fees shall be those agreed; otherwise, the fees determined by statute for such activity; or else the customary fees (sects. 612(2) and 632(2) German Civil Code).

(3) Only claims that are undisputed or have been determined with final and absolute effect *(rechtskräftig)* may be set off against a fee claim of the Tax Advisor.

(4) The Tax Advisor shall be entitled to request an advance payment for professional fees and out-of-pocket expenses already incurred or expected to be incurred. In the event that the requested advance payment is not made, the Tax Advisor may, upon prior notice, cease working for the client until the advance payment is received. Where a cessation of work may adversely affect the client, the Tax Advisor shall be obliged to notify the client, in a timely manner, of the Tax Advisor's intention to cease working.

9. Termination of the contract

(1) The contract shall terminate upon completion of the services, upon expiry of the agreed term, or by giving notice. The contract shall not terminate upon the client's death or upon the client becoming legally incapacitated or, in the case of a company, upon the company's dissolution.

(2) If and to the extent that the contract constitutes a contract for services within the meaning of sects. 611, 675 German Civil Code, either party may terminate the contract for cause *(außerordentlich)* except in the case of a service relationship with fixed earnings *(Dienstverhältnis mit festen Bezügen)*, sect. 627(1) German Civil Code; notice must be given in text form. Any deviation from the foregoing in individual cases shall require an agreement to be negotiated between the Tax Advisor and the client.

(3) In order to prevent legal disadvantages for the client, upon termination of the contract by the Tax Advisor the Tax Advisor must, in any event, still take those actions which may reasonably be expected of him/her and which ought not to be postponed (e.g. application for the extension of a deadline which is about to expire).

(4) The Tax Advisor shall be obliged to hand over to the client anything the Tax Advisor receives or has received for purposes of executing the engagement and anything the Tax Advisor obtains in the context of the management of the affairs of another *(Geschäftsbesorgung)*. In addition, the Tax Advisor shall be obliged, upon request, to provide the client with a progress report and to render account for the Tax Advisor's activities.

(5) Upon termination of the contract, the client must promptly hand over to the Tax Advisor the data-processing programs employed at the client's office for purposes of executing the engagement, including any copies created, as well as any other program documents, and/or delete them from the hard drive.

(6) Upon termination of the engagement, the documents must be collected from the Tax Advisor.

(7) In the event that the engagement terminates before it has been completed, the Tax Advisor's fee claim shall be governed by statute. Any deviation from the foregoing in individual cases shall require a separate agreement in text form.

10. Storage, delivery and right of retention with regard to work results and documents

(1) The Tax Advisor must store the client files for a period of ten years after the engagement has terminated. However, this obligation shall expire before the above period has elapsed if the Tax Advisor has asked the client to take receipt of the client files and the client has failed to comply with such request within six months of having received it.

(2) 'Client files' within the meaning of para. 1 shall only include such documents as have been obtained by the Tax Advisor, on the occasion of his/her professional activity, from or for the client; by contrast, they shall not include the correspondence between the Tax Advisor and his/her client and the documents which the client has already received in the original or as a copy as well as the working papers produced for internal purposes (sect. 66(3) German Act Regulating the Profession of Tax Advisors).

(3) At the request of the client, but no later than after termination of the engagement, the Tax Advisor shall hand over the client files to the client within a reasonable period. The Tax Advisor may create and retain copies or photocopies of documents which he/she returns to the client.

(4) The Tax Advisor may refuse to hand over the client files until his/her fees and out-of-pocket expenses have been settled. This shall not apply to the extent that withholding the client files and the individual documents would be unreasonable under the circumstances (sect. 66(2) sent. 2 German Act Regulating the Profession of Tax Advisors).

11. Miscellaneous

The engagement, its execution and the claims resulting therefrom shall be exclusively governed by German law. The place of performance shall be the client's place of residence unless he/she is a merchant *(Kaufmann)*, legal person under public law, or special fund *(Sondervermögen)* under public law; otherwise, the place of performance shall be the professional establishment of the Tax Advisor. The Tax Advisor is — not — prepared to participate in dispute-resolution proceedings before a consumer conciliation body (sects. 36, 37 German Act on Alternative Dispute Resolution in Consumer Matters *[Gesetz über die alternative Streitbeilegung in Verbrauchersachen – VSBG]*).[2]

12. Validity in the event of partial nullity

Should individual provisions of these terms and conditions of engagement be or become invalid, then this shall not affect the validity of the remaining provisions. The invalid provision shall be replaced by a valid provision which most closely reflects the intended objective.

2) Where it is desired for dispute-resolution proceedings to be carried out before the consumer conciliation body, delete the word 'not'. In this case, the relevant consumer conciliation body, along with its physical address and website, needs to be specified.

Report of the Directors and Audited Financial Statements

FAREAST VOGUE LIMITED

31 March 2018



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ERNST & YOUNG

EY 安永

Building a better working world

FAREAST VOGUE LIMITED

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FAREAST VOGUE LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activity
The principal activity of the Company is the trading of garments.

Results
The Company's loss for the year ended 31 March 2018 and its financial position as at that date are set out in the financial statements on pages 6 to 28.

Directors
The directors of the Company during the year were:

Ajai Singh
Deepak Kumar Seth
Pallak Seth
Amandeeo Kumar Bagga
Sukhlina Minhas

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests
At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors
Ernst & Young retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Pallak Seth
Chairman

Hong Kong
29 May 2018

EY安永

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**Independent auditor's report**
**To the members of Fareast Vogue Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the financial statements of Fareast Vogue Limited (the "Company") set out on pages 6 to 28, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the financial statements**
The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.



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**Independent auditor's report** (continued)
**To the members of Fareast Vogue Limited**
(Incorporated in Hong Kong with limited liability)

**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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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**Independent auditor's report** (continued)
**To the members of Fareast Vogue Limited**
(Incorporated in Hong Kong with limited liability)

**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 May 2018



A member firm of Ernst & Young Global Limited

FAREAST VOGUE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| REVENUE | 5 | 48,251,934 | 15,748,613 |
| Cost of sales | | (42,711,780) | (14,386,649) |
| Gross profit | | 5,540,154 | 1,361,964 |
| Other income and gain | 5 | 452,905 | 359,883 |
| Selling and distribution expenses | | ( 969,001) | ( 88,910) |
| Administrative expenses | | ( 4,707,108) | ( 3,709,758) |
| Other operating expenses | | ( 376,503) | ( 2,085) |
| Finance costs | 7 | - | ( 8) |
| Share of loss of a joint venture | | ( 6,787) | - |
| LOSS BEFORE TAX | 6 | ( 66,340) | ( 2,078,914) |
| Income tax credit | 9 | - | - |
| LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | ( 66,340) | ( 2,078,914) |

FAREAST VOGUE LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 12,396 | 11,376 |
| Investment in a joint venture | 11 | 382,213 | - |
| Total non-current assets | | 394,609 | 11,376 |
| CURRENT ASSETS | | | |
| Trade and bills receivables | 12 | 3,965,057 | - |
| Prepayments and deposits | 13 | 5,129,315 | 787,895 |
| Due from fellow subsidiaries | 16(b) | 2,812,679 | 906,709 |
| Due from shareholders | 16(b) | - | 18,735 |
| Bank balances | | 237,690 | 79,672 |
| Total current assets | | 12,144,741 | 1,793,011 |
| CURRENT LIABILITIES | | | |
| Trade payables | | 5,297,656 | - |
| Other payables and accruals | 14 | 224,266 | 325,697 |
| Due to the intermediate holding company | 16(b) | 44,541 | - |
| Due to the immediate holding company | 16(b) | 4,700,121 | 2,217,784 |
| Due to a fellow subsidiary | 16(b) | 2,191,488 | 1,262,020 |
| Due to a a joint venture | 16(b) | 389,000 | - |
| Due to a related company | 16(b) | 1,759,732 | - |
| Total current liabilities | | 14,606,804 | 3,805,501 |
| NET CURRENT LIABILITIES | | ( 2,462,063) | ( 2,012,490) |
| Net liabilities | | ( 2,067,454) | ( 2,001,114) |

continued/...

FAREAST VOGUE LIMITED

STATEMENT OF FINANCIAL POSITION (continued)

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| EQUITY | | | |
| Share capital | 15 | 77,800 | 77,800 |
| Accumulated losses | | ( 2,145,254) | ( 2,078,914) |
| Net deficiency in assets | | ( 2,067,454) | ( 2,001,114) |

Pallak Seth
Director

Deepak Kumar Seth
Director

FAREAST VOGUE LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Note | Share capital HK$ | Accumulated losses HK$ | Net deficiency in assets HK$ |
|---|---|---|---|---|
| At 1 April 2016 | | 1 | - | 1 |
| Issue of shares | 15 | 77,799 | - | 77,799 |
| Loss and total comprehensive loss for the year | | - | ( 2,078,914) | ( 2,078,914) |
| At 31 March 2017 and at 1 April 2017 | | 77,800 | ( 2,078,914) | ( 2,001,114) |
| Loss and total comprehensive loss for the year | | - | ( 66,340) | ( 66,340) |
| At 31 March 2018 | | 77,800 | ( 2,145,254) | ( 2,067,454) |

FAREAST VOGUE LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | ( 66,340) | ( 2,078,914) |
| Adjustments for: | | | |
| Finance costs | 7 | - | 8 |
| Depreciation | 6 | 7,094 | 1,835 |
| Share of loss of a joint venture | | 6,787 | - |
| | | ( 52,459) | ( 2,077,071) |
| Increase in prepayments and deposits | | ( 4,341,420) | ( 787,895) |
| Increase in trade receivables | | ( 3,965,057) | - |
| Changes in balances with fellow subsidiaries | | ( 976,502) | 355,311 |
| Decrease/(increase) in amounts due from shareholders | | 18,735 | ( 18,735) |
| Increase in trade payables | | 5,297,656 | - |
| (Decrease)/increase in other payables and accruals | | ( 101,431) | 325,697 |
| Increase in an amount due to the immediate holding company | | 2,482,337 | 2,217,784 |
| Increase in an amount due to an intermediate holding company | | 44,541 | - |
| Increase in an amount due to a related company | | 1,759,732 | |
| Cash generated from operations | | 166,132 | 15,091 |
| Interest paid | | - | ( 8) |
| Net cash flows from operating activities | | 166,132 | 15,083 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | ( 8,114) | ( 13,211) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | 15 | - | 77,800 |

continued/...

FAREAST VOGUE LIMITED

STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2018

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 158,018 | 79,672 |
| Cash and cash equivalents at beginning of year | 79,672 | - |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 237,690 | 79,672 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances | 237,690 | 79,672 |

## 1. CORPORATE INFORMATION

Fareast Vogue Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company was 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

Pursuant to a special resolution on 6 July 2016, the Company's name was changed from Regal Sail Limited to Fareast Vogue Limited. The change of name was effective on 26 July 2016.

During the year, the Company was engaged in the trading of garments.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

## 2.1 FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared on the going concern basis, notwithstanding that the Company had net current liabilities and net liabilities at the end of the reporting period, as the Company's intermediate holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due.

## 2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$").

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Company is in the process of making an assessment of the impact of the revised HKFRSs upon initial application but not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's financial performance and financial position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rate used for office equipment is 33⅓%.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

*Initial recognition and measurement*

Financial assets of the Company are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)
*Subsequent measurement of loans and borrowings*
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions
A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)
When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax
Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) commission income, when the services are rendered.

Foreign currency transactions

These financial statements are presented in HK$, which is the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

## 5. REVENUE, OTHER INCOME AND GAIN

Revenue represents the net invoiced value of goods sold.

An analysis of other income and gain are as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Penalty on suppliers | 446,019 | - |
| Commission income | - | 336,791 |
| Foreign exchange differences, net | - | 23,092 |
| Others | 6,886 | - |
| | 452,905 | 359,883 |

## 6. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging/(crediting):

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Auditor's remuneration | 25,000 | 10,000 |
| Depreciation | 7,094 | 1,835 |
| Employee benefit expense (excluding directors' remuneration (note 8)): | | |
| Salaries and allowances | 592,062 | 378,852 |
| Minimum lease payments under operating leases | 98,112 | - |
| Foreign exchange differences, net | 356,171 | ( 23,092) |

## 7. FINANCE COSTS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest on bank overdraft | - | 8 |

## 8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Directors' fees | 280,080 | 1,198,120 |

## 9. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Company did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory rate of 16.5% to the tax at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

| | 2018<br>HK$ | <br>% | 2017<br>HK$ | <br>% |
|---|---|---|---|---|
| Loss before tax | ( 66,340) | | ( 2,078,914) | |
| Tax credit at the statutory tax rate | ( 10,946) | ( 16.5) | ( 343,021) | ( 16.5) |
| Expenses not deductible for tax | 10,946 | 16.5 | 343,021 | 16.5 |
| Tax at the effective tax rate | - | - | - | - |

There was no unprovided deferred tax charge in respect of the year and as at the end of the reporting period (2017: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment HK$ |
|---|---|
| At 31 March 2017 and at 1 April 2017: | |
| Cost | 13,211 |
| Accumulated depreciation | ( 1,835) |
| Net carrying amount | 11,376 |
| At 1 April 2017, net of accumulated depreciation | 11,376 |
| Additions | 8,114 |
| Depreciation provided during the year | ( 7,094) |
| At 31 March 2018, net of accumulated depreciation | 12,396 |
| At 31 March 2018: | |
| Cost | 21,325 |
| Accumulated depreciation | ( 8,929) |
| Net carrying amount | 12,396 |
| At 31 March 2016 and at 1 April 2016: | |
| Cost | - |
| Accumulated depreciation | - |
| Net carrying amount | - |
| At 1 April 2016, net of accumulated depreciation | - |
| Additions | 13,211 |
| Depreciation provided during the year | ( 1,835) |
| At 31 March 2017, net of accumulated depreciation | 11,376 |
| At 31 March 2017: | |
| Cost | 13,211 |
| Accumulated depreciation | ( 1,835) |
| Net carrying amount | 11,376 |

## 11. INVESTMENT IN A JOINT VENTURE

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Share of net liabilities | ( 6,787) | - |
| Amount due to a joint venture | 389,000 | - |
| | 382,213 | - |

The amount due to a joint venture is unsecured, interest-free and repayable on demand. In the opinion of the directors, the balance is considered as part of the Company's net investment in the joint venture.

Particulars of the Company's joint venture are as follows:

| Name | Registered share capital | Place of registration and business | Percentage of Ownership interest | Voting power | Profit sharing | Principal activities |
|---|---|---|---|---|---|---|
| Sourcing East West Limited | US$100,000 | HongKong | 50 | 50 | 50 | Inactive |

## 12. TRADE AND BILLS RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Trade receivables | 3,764,513 | - |
| Bills receivable | 200,544 | - |
| | 3,965,057 | - |

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade receivables are non-interest bearing and are on credit terms up to 30 days. The Company seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances.

## 12. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Neither past due nor impaired | 3,965,057 | - |

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

## 13. PREPAYMENTS AND DEPOSITS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Prepayments | 5,100,388 | 759,468 |
| Deposits | 28,927 | 28,427 |
| | 5,129,315 | 787,895 |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 14. OTHER PAYABLES AND ACCRUALS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Advances from customers | 46,705 | 236,308 |
| Accruals | 15,000 | 10,000 |
| Other payables | 162,561 | 79,389 |
| | 224,266 | 325,697 |

Other payables are non-interest-bearing and have an average term of three months.

## 15. SHARE CAPITAL

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Issued and fully paid: | | |
| 10,000 (2017: 1) ordinary shares | 77,800 | 77,800 |

15. SHARE CAPITAL (continued)

A summary of the movements in the Company's share capital is as follows:

| | Notes | Number of shares in issue | Share capital HK$ |
|---|---|---|---|
| Upon incorporation | (a) | 1 | 1 |
| At 31 March 2015 and 1 April 2016 | | 1 | 1 |
| New issue during the prior year | (b) | 9,999 | 77,799 |
| At 31 March 2017 and 31 March 2018 | | 10,000 | 77,800 |

Notes:

(a) On incorporation, an ordinary share was issued at HK$1 each to the subscriber.

(b) On 20 July 2016, 9,999 additional ordinary shares of the Company were issued at HK$7.7807 each to the subscriber.

16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year/period:

| | Note | 2018 HK$ | 2017 HK$ |
|---|---|---|---|
| Fellow subsidiary: | | | |
| Commission income | (i) | - | 282,214 |

Note:

(i) The commission income was charged based on terms mutually agreed between the Company and a fellow subsidiary.

(b) Outstanding balances with related parties

The balances with the immediate holding company, intermediate holding company, fellow subsidiaries, related company and shareholders are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 8 to the financial statements.

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade and bills receivables, deposits, amounts due from fellow subsidiaries and shareholders, and bank balances which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Company comprise financial liabilities included in other payables and accruals, and amounts due to the immediate holding company, intermediate holding company, joint venture and a fellow subsidiary, which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of the reporting period.

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

*Credit risk*
The carrying amounts of deposits, bank balances, trade and bills receivables and amounts due from a fellow subsidiary and shareholders represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's bank balances are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note 12 to the financial statements. At the end of the reporting period, 54% (2017: Nil) of the Company's trade receivables were due from the Company's top customer.

*Liquidity risk*
In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Capital management*

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

## 20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2018.

# BLUEPRINT DESIGN LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

# BLUEPRINT DESIGN LIMITED

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# BLUEPRINT DESIGN LIMITED

## REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited financial statements of the Company for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The principal activity of the Company is trading of garment.

### RESULTS AND APPROPRIATIONS

The results of the Company for the period are set out in the statement of comprehensive income on page 6.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (14) to the financial statements. There were no movements during the year.

There were no movements in reserves except for changes to retained earnings which arose from profit or loss.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (12) to the financial statements.

### DIRECTORS

The directors of the Company during the period up to the date of this report were:

Pallak SETH
Deepak Kumar SETH
Omprakash MAKAM SURYANARAYAN SETTY

In accordance with Article 22 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transactions as disclosed in Note (16) of the financial statements, no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company 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 period or at any time during the period.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

At no time during the financial period and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company and holding company (whether made by the Company or otherwise) or an associated company (if made by the Company).

BUSINESS REVIEW

The Company falls within reporting exemption for the financial period. Accordingly, the Company is exempted from preparing a business review for this financial period.

AUDITORS

During the period, Messrs. Louis Lai & Luk CPA Limited has been appointed as the auditors of the Company. They now retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Pallak SETH
Chairman

Hong Kong, May 24, 2018.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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瑞信集團大廈九樓

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BLUEPRINT DESIGN LIMITED
**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the financial statements of Blueprint Design Limited ("the Company") set out on pages 7 to 22, which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended March 31, 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year ended March 31, 2018. in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating to The Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2d) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the immediate holding company and fellow subsidiaries and the attaining of profitable and positive cash flow operations, and the Company may turn to a commercially viable concern. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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**Information Other than the Financial Statements and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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**INDEPENDENT AUDITOR'S REPORT (CONT'D)**
**TO THE MEMBER OF**
**BLUEPRINT DESIGN LIMITED**
**(incorporated in Hong Kong with limited liability)**

**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, 24 MAY 2018

# BLUEPRINT DESIGN LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 1/4/2017 -31/3/2018 | 30/6/2016 -31/3/2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 32,843,013 | 5,776,596 |
| COST OF SALES | | (28,232,131) | (4,825,748) |
| GROSS PROFIT | | 4,610,882 | 950,848 |
| OTHER INCOME AND GAINS | (6) | 856,285 | 39,842 |
| SELLING AND DISTRIBUTION COSTS | | ( 323,759) | ( 29,546) |
| DEPRECIATION EXPENSES | | ( 1,709) | - |
| STAFF COSTS | | ( 1,368,778) | ( 213,691) |
| OTHER OPERATING EXPENSES | | (10,322,136) | ( 631,939) |
| (LOSS)/PROFIT FROM OPERATION | | ( 6,549,215) | 115,514 |
| FINANCE COSTS | (7) | ( 23,782) | ( 65) |
| (LOSS)/PROFIT BEFORE TAXATION | (8) | ( 6,572,997) | 115,449 |
| TAXATION | (10) | - | ( 20,190) |
| (LOSS)/PROFIT FOR THE YEAR/PERIOD | | ( 6,572,997) | 95,259 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD | | ( 6,572,997) | 95,259 |

THE NOTES ON PAGES 11 TO 22 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# BLUEPRINT DESIGN LIMITED

## STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Non-current Assets | | | |
| Plant and equipments | (11) | 8,516 | - |
| Current Assets | | | |
| Inventories | | 269 | - |
| Trade receivables | | 14,321,803 | 5,476,178 |
| Payment in advance | | 107,557 | 4,449,394 |
| Prepayment | | 31,120 | 32,417 |
| Cash and cash equivalents | | 117,259 | 42,191 |
| | | 14,578,008 | 10,000,180 |
| Current Liabilities | | | |
| Trade payables | | 5,315,363 | 1,484,812 |
| Accruals | | 6,480 | 16,385 |
| Amount due to immediate holding company | (12) | 1,004,017 | - |
| Amounts due to fellow subsidiaries | (12) | 14,640,412 | 8,305,734 |
| Provision for taxation | | 20,190 | 20,190 |
| | | 20,986,462 | 9,827,121 |
| Net Current (Liabilities)/Assets | | ( 6,408,454) | 173,059 |
| NET (LIABILITIES)/ASSETS | | ( 6,399,938) | 173,059 |
| (DEFICIT)/EQUITY | | | |
| Share capital | (13) | 77,800 | 77,800 |
| (Accumulated losses)/Retained earnings | | ( 6,477,738) | 95,259 |
| TOTAL (DEFICIT)/EQUITY | | ( 6,399,938) | 173,059 |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 24, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 22 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# BLUEPRINT DESIGN LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Retained Earnings/ (Accumulated Losses) | Total |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| Issuance of share capital | 77,800 | - | 77,800 |
| Profit for the year and total comprehensive income for the period | - | 95,259 | 95,259 |
| At March 31, 2017 | 77,800 | 95,259 | 173,059 |
| Loss for the year and total comprehensive loss for the year | - | (6,572,997) | (6,572,997) |
| At March 31, 2018 | 77,800 | (6,477,738) | (6,399,938) |

THE NOTES ON PAGES 11 TO 22 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# BLUEPRINT DESIGN LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 1/4/2017 -31/3/2018 | 30/6/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| (Loss)/Profit before taxation | (6,572,997) | 115,449 |
| Adjustment for: | | |
| Bank overdraft interest | 23,782 | 65 |
| Depreciation | 1,709 | - |
| **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | (6,547,506) | 115,514 |
| (Increase) in inventories | ( 269) | - |
| Increase in trade receivables | (8,845,625) | (5,476,178) |
| Decrease/(Increase) in prepayment | 1,297 | ( 32,417) |
| Decrease/(Increase) in payment in advance | 4,341,837 | (4,449,394) |
| Increase in trade payables | 3,830,551 | 1,484,812 |
| (Decrease)/Increase in accruals | ( 9,905) | 16,385 |
| Increase in amounts due to subsidiaries | 6,334,678 | 8,305,734 |
| Increase in amounts due to immediate holding company | 1,004,017 | - |
| **CASH GENERATED FROM/(USED IN) OPERATIONS** | 109,075 | ( 35,544) |
| Bank interest paid | ( 23,782) | ( 65) |
| Net cash generated from/(used in) operating activities | 85,293 | ( 35,609) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | - |
| Purchase of plant and equipment and net cash used in investing activities | ( 10,225) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of share capital and net cash generated from financing activities | - | 77,800 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 75,068 | 42,191 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD** | 42,191 | - |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD** | 117,259 | 42,191 |

THE NOTES ON PAGES 11 TO 22 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# BLUEPRINT DESIGN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Blueprint Design Limited is a company in Hong Kong with limited liability. The principal activity of the Company is provision of trading of garment. The address of its registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the immediate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no material impact on the Company's financial statements for the year ended March 31, 2018.

c. Issued but not yet Effective Hong Kong Financial Reporting Standards

The Company has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended March 31, 2018, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

d. Going Concern

The immediate holding company and fellow subsidiaries have has confirmed the willingness to provide such financial assistance as is necessary to maintain the Company as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

f. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

| | |
|---|---|
| Computer equipment | 3 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the Statement of Comprehensive Income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the financial statements and any resulting gain or loss is included in the Statement of Comprehensive Income.

g. Inventories

Inventories are stated at the lower of cost and net realisbale value.

Cost of raw materials is arrived at by reference to the suppliers' invoiced cost and is in general assigned to individual items on the first-in, first-out basis.

Net realizable value is based on estimated selling prices less any further costs expected to be incurred. When inventories are sold, the carrying amount of those inventories is recognised as an expenses in the year in which the related revenue is recognised.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

i. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

j. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

k. Financial Liabilities

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's financial liabilities comprise trade and other payables and amount due to a fellow which are subsequently measured at amortized cost, using the effective interest method.

l. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Translation of Foreign Currency

(i) 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 entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable loss will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax loss nor the accounting loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Statement of Comprehensive Income.

p. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognized when goods are delivered to buyers.
- Other income is recognised on a receipt basis.

r. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Company in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the Statement of Comprehensive Income.

No provision on employee entitlements to annual leave is provided in the financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

s. Related Parties

A related party is a person or entity that is related to the Company.

(A) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Company or a parent of the Company.

(B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

t. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

(i) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Company's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL RISK MANAGEMENT

The Company's financial risks are limited by the financial management policies and practices described below.

### (a) Credit risk

The Company has no significant concentrations of credit risk because it has no financial assets.

### (b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. As the fellow subsidiaries and immediate holding company have confirmed the willingness to provide continuous financial support to the Company, the directors are of the opinion that the Company is adequately protected from the liquidity risk.

### (c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

| 6. REVENUE, OTHER INCOME AND GAINS | 1/4/2017 -31/3/2018 | 30/6/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| Revenue other income and gains recognized during the period are as follows: | | |
| Turnover: | | |
| Sales of goods | 32,843,013 | 5,776,596 |
| Other income and gains: | | |
| Bank interest income | 1 | - |
| Claim and recovery | 398,895 | - |
| Exchange difference, net | 457,389 | 39,842 |
| Total revenue recognised | 856,285 | 39,842 |
| | 33,699,298 | 5,816,438 |

| 7. FINANCE COSTS | | |
|---|---|---|
| Bank overdraft interest | 23,782 | 65 |

| 8. (LOSS)/PROFIT BEFORE TAXATION | | |
|---|---|---|
| (Loss)/Profit before taxation is stated after charging/(crediting): | | |
| Auditors' remuneration | 12,600 | 12,000 |
| Depreciation | 1,709 | - |
| Exchange gain, net | ( 457,389) | ( 39,842) |
| Staff costs (including director's remuneration) | 1,204,622 | 213,691 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 1/4/2017 -31/3/2018 | 30/6/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | - | - |
| Retirement benefits | - | - |
| | - | - |

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

During the year, no loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director.

(iii) Material interests of directors (including shadow directors) of the Company disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

10. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the income of the Company neither arises in nor is derived from Hong Kong.

No deferred tax has been recognised in the financial statements on the grounds that the Company has no taxable/deductible temporary differences during the current year.

11. PLANT AND EQUIPMENT

| | Computer equipment |
|---|---|
| Cost | HK$ |
| Additions and as at 31/3/2018 | 10,225 |
| Accumulated Depreciation | |
| Charge for the year and as at 31/3/2018 | 1,709 |
| Net Carrying Amount | |
| At 31/3/2018 | 8,516 |
| At 31/3/2017 | - |

12. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due to immediate holding company/fellow subsidiaries are unsecured, interest-free and has no fixed terms of repayment. The immediate holding company/fellow subsidiaries agreed not to demand repayment of the amount due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

13. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Issued and fully paid: Ordinary shares of US$1 each | | | | |
| At March 31 | 10,000 | 77,800 | 10,000 | 77,800 |

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

## 14. CURRENCY RISK

### (i) Exposure to currency risk

The following table details the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Company to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HK$) 2018 | (Expressed in HK$) 2017 |
|---|---|---|
| | USD | USD |
| Prepayment | 31,120 | 32,417 |
| Payment in advance | 107,557 | 4,449,394 |
| Trade receivables | 14,321,803 | 5,476,178 |
| Cash and cash equivalents | 117,325 | 42,056 |
| Trade payables | ( 5,315,363) | (1,484,812) |
| Accruals | - | ( 4,385) |
| Net exposure arising from recognised assets and liabilities | 9,262,442 | 8,510,848 |

### (ii) Sensitivity analysis

The following table indicates the approximate change in the Company's profit/loss after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| US Dollars (USD) | - | - | - | - |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Company's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes.

15. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

| Name | Relationship | Nature of transactions | 1/4/2017 -31/3/2018 | 30/6/2016 -31/3/2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Norwest Industries Limited | Fellow subsidiary | - Sample charges | 7,853 | 36,058 |
| | | - Commission expenses | 183,407 | 20,788 |
| Fareast Vogue Limited | Fellow subsidiary | - Sample charges | - | 32,733 |
| | | - Commission expenses | - | 306,907 |
| | | - Purchases | - | 401,413 |
| PDS Asia Star Corporation Limited | Fellow subsidiary | - Sample charges | 49,656 | - |
| Multinational Textile Group Limited | Immediate holding company | - Corporate charges | 670,815 | - |
| | | - Recharge expenses | 333,202 | - |

16. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 24, 2018.

# BLUEPRINT DESIGN LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

SCH I

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| TURNOVER | 32,843,013 | 5,776,596 |
| LESS: COST OF SALES | | |
| Purchase | 27,301,425 | 4,316,838 |
| Subcontracting charges | 930,706 | 508,910 |
| | 28,232,131 | 4,825,748 |
| GROSS PROFIT | 4,610,882 | 950,848 |
| OTHER INCOME AND GAINS | | |
| Bank interest income | 1 | - |
| Claim and recovery | 398,895 | - |
| Exchange gain, net | 457,389 | 39,842 |
| | 5,467,167 | 990,690 |
| SELLING AND CONTRIBUTION COSTS (SCH II) | ( 323,759) | ( 29,546) |
| OPERATING EXPENSES (SCH II) | (11,716,405) | ( 845,695) |
| (LOSS)/PROFIT BEFORE TAXATION | ( 6,572,997) | 115,449 |

# BLUEPRINT DESIGN LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

SCH I1

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SELLING AND DISTRIBUTION COSTS | | |
| Courier charges | 232,289 | 20,210 |
| Extra processing charges | 72,906 | - |
| Transportation expenses | 18,564 | 9,336 |
| | 323,759 | 29,546 |
| OPERATING EXPENSES | | |
| Depreciation Expenses | | |
| Depreciation | 1,709 | - |
| Staff Costs | | |
| Medical benefits | 144,450 | - |
| Salary | 1,204,622 | 213,691 |
| Staff welfare | 19,706 | - |
| | 1,368,778 | 213,691 |
| Finance Costs | | |
| Bank overdraft interest | 23,782 | 65 |
| Other Operating Expenses | | |
| Accommodation expenses | 82,960 | - |
| Auditors' remuneration | 12,600 | 12,000 |
| Bank charges | 235,447 | 16,150 |
| Business registration fee | 2,250 | 250 |
| Commission expenses | 189,898 | 327,695 |
| Compliance expenses | 99,428 | - |
| Consultancy expenses | 13,270 | - |
| Corporate charges | 840,505 | - |
| Entertainment | 43,020 | - |
| Formation expenses | - | 6,920 |
| Immigration expense | 6,519 | - |
| Insurance | 95,092 | 6,483 |
| Legal and professional fee | 13,525 | 3,800 |
| Local travelling | 137,224 | - |
| Management fee | 1,762 | |
| Office supplies | 426,532 | 280 |
| Overseas travelling | 156,596 | 109,379 |
| Penalty from customer | - | 7,215 |
| Printing and stationery | 23,160 | - |
| Recharge expenses | 7,653,228 | - |
| Rent | 119,770 | - |
| Repair and maintenance | 12,166 | - |
| Sample charges | 137,147 | 141,767 |
| Telecommunication | 12,324 | - |
| Utilities | 7,713 | - |
| | 10,322,136 | 631,939 |
| | 11,716,405 | 845,695 |

File No. 23/66365919

# BLUEPRINT DESIGN LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

SCH 1

| | HK$ |
|---|---|
| Basis period: 1/4/2017 - 31/3/2018 | |
| Loss per audited financial statements | 6,571,931 |

The Company did not carry on its business in Hong Kong. It has not maintained any office or employed and staff in Hong Kong since its incorporation.

The Company was engaged in trading of garment and earned offshore income. The Company did not perform any trading activities in Hong Kong for earning the income. Therefore, its profits were not chargeable to tax under Section 14 of the Inland Revenue Ordinance.

# BLUEPRINT DESIGN LIMITED

## AUDIT ADJUSTMENTS

## FOR THE YEAR ENDED MARCH 31, 2018

| | A/C code | | Dr. | Cr. | Effect on Statement of Comprehensive Income |
|---|---|---|---|---|---|
| | | | HK$ | HK$ | HK$ |
| 1. | 15000200 | Payable-Group | 15,644,428.67 | | |
| | | Fareast Vogue Limited | | 253,059.44 | |
| | | Norwest Industries Limited | | 4,332,334.48 | |
| | | PDS Asia Star | | 1,000,657.65 | |
| | | Poeticgem International Limited | | 243,128.69 | |
| | | Poeticgem Limited | | 8,811,231.62 | |
| | | Multinational Textile | | 1,004,016.79 | |
| | Being reallocation of account | | | | |
| 2 | 26503000 | Advance to Vendors | 107,556.43 | | |
| | 15000000 | Trade Payable | | 107,556.43 | |
| | Being reallocation of account | | | | |
| 3. | 26503500 | Prepaid Expense | 31,120.34 | | |
| | 16004400 | Others accruals Liabilties | | 31,120.34 | |
| | Being reallocation of account | | | | |
| 4. | 54000500 | Auditors Remuenration | 3,420.00 | | (3,420.00) |
| | 16000900 | Audit Fees Payable | | 3,420.00 | |
| | Being underprovision of auditors' remuneration for the year | | | | |
| | | Total effect on Statement of Comprehensive Income | | | ( 3,420.00) |
| | | Retained earnings as per client's financial statements | | | (6,474,317.68) |
| | | Retained earnings as per audited financial statements | | | (6,477,737.68) |

Approved by:
Blueprint Design Limited

Director

# PROGRESS MANUFACTURING GROUP LIMITED

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

**LOUIS LAI & LUK CPA LIMITED**
**CERTIFIED PUBLIC ACCOUNTANTS**

# PROGRESS MANUFACTURING GROUP LIMITED

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# PROGRESS MANUFACTURING GROUP LIMITED

## REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited financial statements of the Company for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading. The principal activity of the subsidiary is set out in the Note (11) to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of profit or loss and comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (14) to the financial statements. There were no movements during the year.

There were no movements in reserves except for changes to accumulated losses which arose from profit or loss.

### DIRECTORS

The directors of the Company during the period up to the date of this report were:

Pallak SETH
Deepak Kumar SETH
Ajai SINGH

In accordance with Article 23 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transactions as disclosed in Note (16) of the financial statements, no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company 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.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company and holding company (whether made by the Company or otherwise) or an associated company (if made by the Company).

## BUSINESS REVIEW

The Company falls within reporting exemption for the financial year. Accordingly, the Company is exempted from preparing a business review for this financial year.

## AUDITORS

The Company's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Pallak SETH
Chairman

Hong Kong, May 21, 2018.

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF**
# PROGRESS MANUFACTURING GROUP LIMITED
**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the financial statements of Progress Manufacturing Group Limited ("the Company") set out on pages 7 to 24 which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2018 and of its financial performance and its cash flows for the year then ended, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating to The Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2d) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the immediate holding company and fellow subsidiaries and the attaining of profitable and positive cash flow operations, and the Company may turn to a commercially viable concern. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

**Information Other than the Financial Statements and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

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



Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, May 21, 2018.

# PROGRESS MANUFACTURING GROUP LIMITED

## STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 31,387,247 | - |
| BANK INTEREST INCOME | (6) | - | 2 |
| COST OF SALES | | (30,737,942) | - |
| STAFF COSTS | | ( 989,168) | ( 536,804) |
| FINANCE COSTS | (7) | ( 828,336) | ( 62,223) |
| OTHER OPERATING EXPENSES | | ( 8,256,329) | (3,940,659) |
| LOSS BEFORE TAXATION | (8) | ( 9,424,528) | (4,539,684) |
| TAXATION | (10) | - | - |
| LOSS FOR THE YEAR | | ( 9,424,528) | (4,539,684) |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | ( 9,424,528) | (4,539,684) |

THE NOTES ON PAGES 11 TO 24 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# PROGRESS MANUFACTURING GROUP LIMITED

## STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-current Asset | | | |
| Investment in a subsidiary | (11) | 397,342 | - |
| Current Assets | | | |
| Trade receivables | (12) | 20,479,665 | - |
| Prepayment and other receivable | (12) | 6,298,237 | 442,176 |
| Amount due from a fellow subsidiary | (13) | 93,879,501 | 14,664,578 |
| Bank balances | | 831,072 | 467,271 |
| | | 121,488,475 | 15,574,025 |
| Current Liabilities | | | |
| Accrual and other payable | | 9,020,648 | 2,389,333 |
| Amount due to immediate holding company | (14) | 1,532,816 | 789,670 |
| Amounts due to fellow subsidiaries | (14) | 104,345,300 | 4,476,618 |
| Secured bank borrowings | (15) | 20,941,177 | 12,448,000 |
| | | 135,839,941 | 20,103,621 |
| Net Current Liabilities | | ( 14,351,466) | ( 4,529,596) |
| NET LIABILITIES | | ( 13,954,124) | ( 4,529,596) |
| DEFICIT | | | |
| Share capital | (16) | 77,800 | 77,800 |
| Accumulated losses | | (14,031,924) | ( 4,607,396) |
| TOTAL DEFICIT | | (13,954,124) | ( 4,529,596) |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 21, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Ajai SINGH
Director

Deepak Kumar SETH
Director

THE NOTES ON PAGES 11 TO 24 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# PROGRESS MANUFACTURING GROUP LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Accumulated losses | Total |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| At April 1, 2016 | 77,800 | ( 67,712) | 10,088 |
| Loss for the year and total comprehensive loss for the year | - | ( 4,539,684) | ( 4,539,684) |
| At March 31, 2017 and April 1, 2017 | 77,800 | ( 4,607,396) | ( 4,529,596) |
| Loss for the year and total comprehensive loss for the year | - | ( 9,424,528) | ( 9,424,528) |
| At March 31, 2018 | 77,800 | (14,031,924) | (13,954,124) |

THE NOTES ON PAGES 11 TO 24 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# PROGRESS MANUFACTURING GROUP LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | ( 9,424,528) | ( 4,539,684) |
| Adjustments for: | | |
| Bank interest income | - | ( 2) |
| **OPERATING LOSS BEFORE WORKING CAPITAL CHANGES** | ( 9,424,528) | ( 4,539,686) |
| Increase in trade receivables | (20,479,665) | - |
| Increase in prepayment and other receivable | ( 5,856,061) | ( 342,429) |
| Increase in amount due from a fellow subsidiary | (79,214,923) | (12,428,270) |
| Increase in accrual and other payable | 6,631,315 | 2,309,423 |
| Increase in amount due to immediate holding company | 743,146 | 11,670 |
| Increase in amounts due to fellow subsidiaries | 99,868,682 | 2,607,561 |
| Cash used in operations | ( 7,732,034) | (12,305,821) |
| Bank interest received | - | 2 |
| Net cash used in operating activities | ( 7,732,034) | (12,305,819) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Acquisition of a subsidiary | ( 397,342) | - |
| Net cash used in investing activities | ( 397,342) | - |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from bank borrowings and net cash generated from financing activities | 8,493,177 | 12,448,000 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 363,801 | 142,181 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 467,271 | 325,090 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 831,072 | 467,271 |

THE NOTES ON PAGES 11 TO 24 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# PROGRESS MANUFACTURING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Progress Manufacturing Group Limited is a company in Hong Kong with limited liability. The Company has not yet commenced business. The address of its registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the immediate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius. The ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India and its shares are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no material impact on the Company's financial statements for the year ended March 31, 2018.

c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Company has not early applied any new and revised HKFRSs that have been issued but are not year effective for the accounting year ended March 31, 2018, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Going Concern

The immediate holding company and fellow subsidiaries have confirmed that they will provide such financial assistance as is necessary to maintain the Company as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

e. Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

In the Company's statement of financial position the investment in a subsidiary is stated at cost less provision for impairment losses. The results of subsidiary is accounted by the Company on the basis of dividend received and receivable.

f. Group Consolidation

No consolidated financial statements dealing with the state of affairs and profit and loss of the Company and its subsidiary have been prepared as required under Section 379(2) of the Hong Kong Companies Ordinance and HKFRS 10 "Consolidated Financial Statements". The directors consider that consolidation of the financial statements of the subsidiaries would involve expenses or delay out of proportion to the value to members of the Company. Instead, financial statements of the subsidiary are to be presented to the shareholders at the Annual General Meeting.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

j. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of profit or loss and comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

k. Financial Liabilities

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's financial liabilities comprise trade and other payables and amount due to a fellow which are subsequently measured at amortized cost, using the effective interest method.

l. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Translation of Foreign Currency

(i) 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 entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss and comprehensive income.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the statement of profit or loss and comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable loss will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax loss nor the accounting loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and comprehensive income.

p. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of the Group's business. It is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when the goods are delivered to buyer.
- Interest income from bank deposits is accrued on a time proportion basis on the principal outstanding and at the rate applicable.

r. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

s. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Company's policy for borrowing cost as stated in the preceding note.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

t. Related Parties

A related party is a person or entity that is related to the Company.

(A) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Company or a parent of the Company.

(B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

u. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

(i) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Company's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Company comprise trade and other receivable, deposits, amounts due from fellow subsidiaries and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statements of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise trade and other payables, amounts due to fellow subsidiaries, immediate holding Company and a director, and secured bank borrowings which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

### (ii) Financial risk management

The Company's financial risks are limited by the financial management policies and practices described below.

#### (a) Credit risk

The Company has no significant concentrations of credit risk because the creditworthiness of each of the Company's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Company is adequately protected from the credit risk.

#### (b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. As the fellow subsidiaries and immediate holding company have confirmed the willingness to provide continuous financial support to the Company, the directors are of the opinion that the Company is adequately protected from the liquidity risk.

#### (c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

As the immediate holding company and fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

## 6. REVENUE AND OTHER INCOME

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Revenue and other income recognised during the year are as follows: | | |
| Revenue | | |
| Sales of goods | 31,387,247 | - |
| Other income | | |
| Bank interest received | - | 2 |
| Total revenue recognised | 31,387,247 | 2 |

## 7. FINANCE COSTS

| | | |
|---|---|---|
| Interest of secured bank loan | 760,439 | 61,766 |
| Bank overdraft interest | 67,897 | 457 |
| | 828,336 | 62,223 |

## 8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

| | | |
|---|---|---|
| Auditor's remuneration | 19,892 | 19,500 |
| Exchange loss, net | 117,113 | 31 |
| Staff costs (including directors' remuneration) | 989,168 | 536,804 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | - | - |
| Retirement benefits | - | - |
| | - | - |

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

During the year, no loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director.

(iii) Material interests of directors (including shadow directors) of the Company disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

10. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the Company made no estimated assessable profit for the year.

No deferred tax has been recognised in the financial statements on the grounds that the Company has no taxable/deductible temporary differences during the current year.

## 11. INVESTMENT IN A SUBSIDIARY

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Unlisted investment, at cost | 397,342 | - |

Details of subsidiary are as follows:

| Name of subsidiary | Place of incorporation | Percentage of ownership and voting power | Nature of business |
|---|---|---|---|
| Progress Apparels (Bangladesh) Limited | Bangladesh | 99.95% | Manufacturing and trading of garments |

## 12. TRADE AND OTHER RECEVABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade receivables (Note (i)) | 20,479,665 | - |
| Prepayments | 6,298,237 | - |
| | 26,777,902 | - |

(i) Aging analysis of trade receivables is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 20,479,665 | - |

## 13. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary is unsecured, interest free and has no fixed repayment terms. No provisions for bad and doubtful debts have been recognised on the amounts due. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 14. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due to immediate holding company/fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The immediate holding company/fellow subsidiaries agreed not to demand repayment of the amount due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

15. SECURED BANK BORROWINGS

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Term loans | 20,941,177 | 12,448,000 |

The term loans are secured by fellow subsidiaries cash deposit, immediate holding company's corporate guarantee and directors' personal guarantee as disclosed in note (19).

16. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Ordinary shares of US$1 each, issued and fully paid: | | | | |
| At March 31 | 10,000 | 77,800 | 10,000 | 77,800 |

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

17. CURRENCY RISK

(i) Exposure to currency risk

The following table details the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Company to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HK$) 2018 | (Expressed in HK$) 2017 |
|---|---|---|
| | USD | USD |
| Prepayment and other receivable | 6,298,237 | 1,366,552 |
| Bank balances | 806,188 | 459,472 |
| Trade receivables | 20,479,665 | - |
| Net exposure arising from recognised assets and liabilities | 27,584,090 | 1,826,024 |

17. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Company's profit/loss after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Company has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| United States Dollars | - | - | - | - |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Company's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

18. INTEREST RATE RISK

| | 2018 | 2017 |
|---|---|---|
| Financial liabilities bearing variable interests: | HK$ | HK$ |
| Term loans | 20,941,177 | - |

Should market interest rate on March 31 increase by 100 basic point, the profit or loss for the year would be reduced by a net amount of HK$209,412 (2017: HK$Nil). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

19. BANKING FACILITIES

General banking facilities granted by a bank were secured by fellow subsidiaries cash deposit, immediate holding company's corporate guarantee and directors' personal guarantee.

20. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

| Name | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Global Textiles Group Ltd., Mauritius | Fellow subsidiary | - Sample expenses | 5,753,232 | 2,995,127 |
| Zamira Fashion Ltd. | Fellow subsidiary | - Recharge expenses | - | 3,005 |
| PDS Asia Star Corporations Ltd. | Fellow subsidiary | - Recharge expenses | 466,800 | 93,360 |
| Norwest Industries Ltd. | Fellow subsidiary | - Recharge expenses | - | 52,449 |

21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 21, 2018.

# PROGRESS MANUFACTURING GROUP LIMITED
## DETAILED INCOME STATEMENT
## FOR YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 31,387,247 | - |
| COST OF SALES | (30,737,942) | - |
| GROSS PROFIT | 649,305 | - |
| BANK INTEREST INCOME | - | 2 |
| | 649,305 | 2 |
| OPERATING EXPENSES | | |
| Staff costs | | |
| Salaries to oversea employees | 989,168 | 513,480 |
| Staff welfare | - | 23,324 |
| | 989,168 | 536,804 |
| Finance costs | | |
| Interest on secured bank loans | 760,439 | 61,766 |
| Bank overdraft interest | 67,897 | 457 |
| | 828,336 | 62,223 |
| Other Operating Expenses | | |
| Auditors' remuneration | 20,475 | 19,500 |
| Bank charges | 1,189,116 | 120,570 |
| Business registration fee | 2,250 | 250 |
| Corporate charges | 137,644 | - |
| Courier expenses | 3,318 | 152 |
| Design consultancy fee | - | 62,240 |
| Exchange loss, net | 105,454 | 31 |
| Insurance | 82,909 | 93,772 |
| IT charges | - | 11,670 |
| Legal and professional fee | 16,000 | 3,800 |
| Printing and Stationery | 3,500 | 2,880 |
| Recharge expenses | 571,312 | 148,814 |
| Recruitment expenses | 108,920 | 392,766 |
| Sample expenses | 5,753,232 | 2,995,128 |
| SAP expenses | 233,400 | - |
| Sundry expenses | 198 | - |
| Transportation | 608 | 1,739 |
| Travelling expenses | 27,993 | 87,347 |
| | 8,256,329 | 3,940,659 |
| | (10,073,833) | (4,539,686) |
| LOSS BEFORE TAXATION | ( 9,424,528) | (4,539,684) |

File No. 22/65028756

# PROGRESS MANUFACTURING GROUP LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT: 2017/2018

| | SCH 1 |
|---|---|
| | HK$ |
| Basis period: 1/4/2017 - 31/3/2018 | |
| Loss per audited financial statements and adjusted loss | 9,424,528 |

## STATEMENT OF LOSS

| | |
|---|---|
| Loss for the year and carried forward | 9,424,528 |

Company Registration No. 09390969 (England and Wales)

# POETIC BRANDS LIMITED

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2018

UHY Hacker Young
Chartered Accountants

**POETIC BRANDS LIMITED**

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**POETIC BRANDS LIMITED**

**COMPANY INFORMATION**

| | |
|---|---|
| **Directors** | Mr Anuj Banaik<br>Mrs Payel Seth<br>Mr Elliot Francis Matthews |
| **Company number** | 09390969 |
| **Registered office** | Quadrant House - Floor 6<br>4 Thomas More Square<br>London<br>E1W 1YW |
| **Auditor** | UHY Hacker Young LLP<br>Quadrant House<br>4 Thomas More Square<br>London<br>E1W 1YW |

# POETIC BRANDS LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

**Principal activities**
The principal activity of the company is import and distribution of garments including selling licencing rights in exchange of royalties.

**Results and dividends**
The results for the year are set out on page 7.

The directors do not recommend the payment of a dividend for the year.

**Directors**
The following directors have held office since 1 April 2017:

Mr Anuj Banaik
Mrs Payel Seth
Mr Elliot Francis Matthews

**Auditor**
The auditors, UHY Hacker Young, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

**Statement of directors' responsibilities**
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). 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 year. In preparing these financial statements, the directors are required to:

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

**Statement of directors' responsibilities (continued)**
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. They 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.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditor**
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

By order of the board

.....
Mr Anuj Banaik
**Director**

24 May 2018

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

# POETIC BRANDS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## POETIC BRANDS LIMITED

## FOR THE YEAR ENDED 31 MARCH 2018

### Opinion

We have audited the financial statements of Poetic Brands Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, 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 March 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.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken 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.

### 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.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW



**Other information**

The other information comprises the information included in the annual report, other than the financial statements and out auditor's report thereon. The directors are responsible for the other information. 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 our 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 the 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 where 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.
- the directors were note entitled to prepare the financial statement in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

**POETIC BRANDS LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

**POETIC BRANDS LIMITED (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2018**

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Vinodkumar Vadgama (Senior Statutory Auditor)**
**for and on behalf of UHY Hacker Young**

25 May 2018

**Chartered Accountants**
**Statutory Auditor**

## POETIC BRANDS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | Year ended 31 March 2018 £ | Year ended 31 March 2017 £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 3,571,300 | 532,049 |
| Cost of revenue | | (3,023,414) | (544,345) |
| **Gross profit/ (loss)** | | 547,886 | (12,296) |
| Distribution costs | | (183,810) | - |
| Administration expenses | | (230,823) | (161,954) |
| **Profit/ (Loss) before taxation** | | 133,253 | (174,250) |
| Taxation | 7 | - | - |
| **Profit/ (Loss) for the financial year** | 13 | 133,253 | (174,250) |

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses, other than those passing through the statement of comprehensive income.

The notes on pages 11 to 20 form part of these financial statements.

## POETIC BRANDS LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Current assets** | | | |
| Inventories | 8 | - | 61,032 |
| Trade and other receivables | 9 | 1,309,380 | 231,255 |
| Cash and cash equivalents | | 726,988 | 146,903 |
| | | 2,036,368 | 439,190 |
| **Total assets** | | 2,036,368 | 439,190 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | (1,401,868) | (234,171) |
| | | (1,401,868) | (234,171) |
| **Net current assets** | | 634,500 | 205,019 |
| **Non-current liabilities** | | | |
| Borrowings | 11 | (654,874) | (358,646) |
| | | (654,874) | (358,646) |
| **Total liabilities** | | (2,056,742) | (592,817) |
| **Net liabilities** | | (20,374) | (153,627) |
| **Shareholders' equity** | | | |
| Share capital | 12 | 50,000 | 50,000 |
| Retained earnings | 13 | (70,374) | (203,627) |
| **Total equity** | | (20,374) | (153,627) |

The financial statements were approved by the board of directors and authorised for issue on 24 May 2018 and were signed on its behalf by:

Mr Anuj Banaik
**Director**

**Company registration no. 09390969**

The notes on pages 11 to 20 form part of these financial statements.

## POETIC BRANDS LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £ | Retained earnings £ | Total £ |
|---|---|---|---|
| **Balance at 1 April 2016** | 50,000 | (29,377) | 20,623 |
| **Comprehensive income** | | | |
| Loss for the period | - | (174,250) | (174,250) |
| **Balance at 31 March 2017** | 50,000 | (203,627) | (153,627) |
| **Comprehensive income** | | | |
| Profit for the year | - | 133,253 | 133,253 |
| **Balance at 31 March 2018** | **50,000** | **(70,374)** | **(20,374)** |

The notes on pages 11 to 20 form part of these financial statements.

## POETIC BRANDS LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 14 | 283,857 | 36,019 |
| **Net cash generated from operating activities** | | 283,857 | 36,019 |
| **Financing activities** | | | |
| Increase in shareholder loan | | 296,228 | - |
| **Net cash generated from financing activities** | | 296,228 | - |
| **Net increase in cash and cash equivalents** | | 580,085 | 36,019 |
| **Net increase in cash and cash equivalents** | | 580,085 | 36,019 |
| Cash and cash equivalents at the start of the period | | 146.903 | 110,884 |
| **Cash and cash equivalents at the end of the period** | | 726,988 | 146,903 |

| | 2018 £ | 2017 £ |
|---|---|---|
| **Cash and cash equivalents comprise:** | | |
| Cash at bank and in hand | 726,988 | 146,903 |

The notes on pages 11 to 20 form part of these financial statements.

1. **General information**

Poetic Brands Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the Directors' Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. **Summary of significant accounting policies**

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

**Basis of preparation**

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

2.1 **Going concern**

The financial statements have been prepared on a going concern basis.

The directors consider the going concern basis to be appropriate because, in their opinion, the company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due. If the company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

2.2 **Impairment**

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.3 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

- **Sales of goods**
  Revenue represents amounts receivable from the distribution of garments net of discounts and value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.
- **Commission receivable**
  Commission receivable is earned when the supplier delivers to the end customers.
- **Licence fee income**
  Licence fee income is earned from the royalty agreements with various Licensors, when the ordered goods have been delivered to the customers.

## 2. Summary of significant accounting policies (continued)

### 2.4 Taxation

Income tax expense represents the current tax payable and deferred tax provisions.

- **Current tax**

  The tax currently payable is based on taxable profit for the period. Taxable profit differs from profits as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

- **Deferred tax**

  Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

  The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

  Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

  Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

## 2. Summary of significant accounting policies (continued)

### 2.5 Foreign currencies

Transactions in currencies, other than pounds sterling, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

### 2.6 Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### 2.7 Financial instruments

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition, non-derivative financial instruments are measured as described as follows:

- **Trade and other receivables**
  Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

- **Trade and other payables**
  Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

- **Cash and cash equivalents**
  Cash for the purposes of the cash flow statement comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

- **Borrowings**
  Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

## 2. Summary of significant accounting policies (continued)

### 2.8 New IFRSs and interpretations not applied

The following standards, amendments and interpretations are not yet effective and have not yet been adopted early by the company:

| | Effective for period beginning on or after |
|---|---|
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 | 1 January 2018 |

The adoption of these standards, amendments and interpretations is not expected to have a material impact of the company's results for the year or equity.

## 3. Significant judgements and estimates

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements.

## 4. Revenue

| | 2018 £ | 2017 £ |
|---|---|---|
| **Analysis of revenue by category:** | | |
| Sale of garments | 2,542,472 | 532,049 |
| Commission receivable | 622,789 | - |
| Licence fee income | 406,039 | - |
| | 3,571,300 | 532,049 |

**Analysis of revenue by geographical market and customer location:**

| | 2018 £ | 2017 £ |
|---|---|---|
| United Kingdom | 2,948,511 | 532,049 |
| Rest of World | 622,789 | - |
| | 3,571,300 | 532,049 |

## 5. Operating profit/ (loss)

| | 2018 £ | 2017 £ |
|---|---|---|
| Operating profit/ (loss) has been arrived at after charging: | | |
| Staff costs (see note 6 below) | 170,669 | 127,829 |
| (Profit)/loss on foreign exchange transactions | (49,854) | 6,053 |

**Auditor remuneration**

During the year, the company obtained the following services from the company's auditor and its associates:

| | 2018 £ | 2017 £ |
|---|---|---|
| Fees payable to the company's auditor: | | |
| Audit of annual financial statements | 4,000 | 3,700 |

## 6. Staff numbers and costs

| | 2018 £ | 2017 £ |
|---|---|---|
| Employee costs include: | | |
| Staff wages and salaries | 153,931 | 114,705 |
| Social security costs | 15,820 | 13,124 |
| Pension | 918 | - |
| | 170,669 | 127,829 |

The average number of employees (including directors) during the year was:

| | 2018 Number | 2017 Number |
|---|---|---|
| Management and administration | 2 | 3 |
| | 2 | 3 |

**Directors' emoluments**

| | | |
|---|---|---|
| Emoluments for qualifying services | - | - |

## 7. Taxation for the period

| Income tax expense | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Current tax expense** | | |
| UK corporation tax | - | - |
| **Total current tax** | - | - |
| **Reconciliation of current tax expenses to accounting loss:** | | |
| Profit/(loss) before taxation | 133,253 | (174,250) |
| Notional taxation charge at the UK corporation tax rate of 19% (2017: 20%) | 25,318 | (34,850) |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | 540 | 768 |
| Group relief surrendered | (25,858) | 34,082 |
| **Total current tax charge for the period** | - | - |

## 8. Inventories

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Finished goods and goods for resale | - | 61,032 |

## 9. Trade and other receivables

| | 2018 £ | 2017 £ |
|---|---|---|
| **Current assets** | | |
| Trade receivables | 1,005,206 | 87,940 |
| Other receivables | - | 30,772 |
| Prepayments | 304,174 | 112,543 |
| | 1,309,380 | 231,255 |

As at 31 March 2018, the ageing analysis of overdue trade receivables is as follows:

| | Total £ | Overdue but not impaired <3 months £ | >3 months £ |
|---|---|---|---|
| 2018 | 423,646 | 423,646 | - |

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount.

## 10. Trade and other payables

| | 2018 £ | 2017 £ |
|---|---|---|
| Trade payables | 554,541 | 76,109 |
| Other payables | 9,825 | 2,208 |
| Amounts due to related parties | 491,691 | 148,050 |
| Social security and other taxes | 3,484 | 4,304 |
| VAT liability | 64,416 | - |
| Accruals and deferred income | 277,911 | 3,500 |
| | 1,401,868 | 234,171 |

All trade payables are due to be paid within 12 months of the balance sheet date. The fair value of trade and other payables is the same as the carrying value shown above.

| 11. **Borrowings** | **2018** £ | **2017** £ |
|---|---|---|
| Loan from related party (note 17) | 654,874 | 358,646 |

This represents an unpaid interest free loan from Global Textile Group Limited, a fellow group company.

The carrying value of all the company's long-term borrowings approximate to their fair value as at the balance sheet date.

| 12. **Share capital** | **2018** £ | **2017** £ |
|---|---|---|
| **Issued and fully paid** | | |
| 50,000 Ordinary shares of £1 each | 50,000 | 50,000 |

| 13. **Retained earnings** | **2018** £ | **2017** £ |
|---|---|---|
| Balance at the start of the period | (203,627) | (29,377) |
| Net profit/ (loss) for the year | 133,253 | (174,250) |
| Balance at the end of the period | (70,374) | (203,627) |

| 14. **Notes to the cash flow statement** | **2018** £ | **2017** £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/ (loss) from operations | 133,253 | (174,250) |
| **Operating cash outflow before working capital** | 133,253 | (174,250) |
| Decrease/ (increase) in inventories | 61,032 | (61,032) |
| Increase in receivables | (1,078,125) | (17,522) |
| Increase in payables | 1,167,697 | 288,823 |
| **Cash generated from operations** | 283,857 | 36,019 |

## 15. Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings.

## 16. Financial risk management

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

***Credit Risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available the company uses other publicly available financial information. The company's exposure and the credit ratings of its counterparties are continuously monitored.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

The company's principal financial assets are receivables and cash at bank.

***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2018, the company held cash and cash equivalents of £726,988 (2017: £146,903).

***Foreign currency risk***

The company's functional and presentation currency and the majority of its spending are in GBP. As such, no exchange rate risk exists. The company has no deposit or loan facilities, hence is not affected by interest rate fluctuations.

## 17. Related party transactions

During the year, the company entered into the following transactions with related parties:

| | Commission received / (Management fees paid) | | Amounts owed to related parties | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Global Textile Group Limited, Mauritius | - | - | 654,874* | 358,646* |
| Multinational Textile Group Limited, Mauritius | (66,000) | - | 66,000 | - |
| Norwest Industries Limited, Hong Kong | 190,417 | - | 233,650 | 206 |
| Poeticgem International Limited, Hong Kong | 432,372 | - | 145,682 | 77,422 |
| Grupo Sourcing Limited | - | - | - | 70,422 |
| Poeticgem Limited | - | - | 46,358 | - |

The immediate parent company of Poetic Brands Limited is Global Textile Group Limited.

Norwest Industries Limited, Hong Kong, Poeticgem International Limited, Hong Kong, and Grupo Sourcing Limited are fellow subsidiaries of Global Textile Group Limited, Mauritius.

Poeticgem Limited is a subsidiary of Global Textile Group Limited, Mauritius.

Global Textile Group Limited, Mauritius is a subsidiary of Multinational Textile Group Limited, Mauritius.

* Included within this balance is a loan of £654,874 (2017: £358,646) which is interest free and repayable on demand.

## 18. Control

The immediate parent company is Global Textile Group Limited, a company registered in Mauritius and the ultimate parent company is PDS Multinational Fashions Limited, a company registered in India.

PDS Multinational Fashions Limited prepares group financial statements and copies can be obtained from # 758 and 759, 2nd Floor, 19th Main Road, Sector-2, HSR Layout, Bangalore 560102.

PDS Multinational Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

# POETIC BRANDS LIMITED

## MANAGEMENT INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2018

**POETIC BRANDS LIMITED**

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2018**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Turnover** | | | | |
| Sales | | 3,571,300 | | 532,049 |
| **Cost of revenue** | | | | |
| Opening Stock | 61,032 | | - | |
| Cost of goods sold | 2,949,779 | | 601,944 | |
| Temporary staff | - | | 2,760 | |
| Carriage inward | 12,603 | | 673 | |
| | 3,023,414 | | 605,377 | |
| Closing stock of finished goods | - | | (61,032) | |
| | | (3,023,414) | | (544,345) |
| **Gross profit/(loss)** | | 547,886 | | (12,296) |
| **Distribution costs** | 183,810 | | - | |
| **Administrative expenses** | 230,823 | | 161,954 | |
| | | 414,633 | | 161,954 |
| **Loss before taxation** | | 133,253 | | (174,250) |

**POETIC BRANDS LIMITED**

**SCHEDULE OF ADMINISTRATIVE EXPENSES**

**FOR THE YEAR ENDED 31 MARCH 2018**

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Distribution costs** | | |
| Commission payable | 133,364 | - |
| Sample costs | 50,446 | - |
| | 183,810 | - |
| **Administrative expenses** | | |
| Salaries and Wages | 153,931 | 114,705 |
| Employers NI Contributions | 15,820 | 13,124 |
| Pension | 918 | - |
| Management Charge | 66,000 | - |
| Advertising | 970 | 1,080 |
| Telephone | - | 363 |
| Printing, postage and stationary | 237 | 884 |
| (Profit)/Loss on exchange | (49,854) | 6,053 |
| Audit fees | 3,130 | 3,770 |
| Traveling | 1,298 | 1,937 |
| Postage, courier and delivery charges | 29,560 | - |
| Legal and professional fees | - | 458 |
| Bank charges | 3,081 | 472 |
| Consultancy fees | 1,733 | 13,492 |
| Accountancy | 700 | 175 |
| Staff Welfare | 18 | 35 |
| Bought sample expenses | - | 1,568 |
| Other office supplies | 437 | - |
| Entertainment | 2,844 | 3,838 |
| | 230,823 | 161,954 |

# GRUPO SOURCING LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

# GRUPO SOURCING LIMITED

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# GRUPO SOURCING LIMITED

## DIRECTORS' CONSOLIDATED REPORT

The directors present their annual consolidated report and the audited financial statements for the year ended March 31, 2018.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are garment trading and investment holding. The principle activity and other particulars of the subsidiary are set out in the Note (18) to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiary (the "Group") for the year ended March 31, 2018 are set out in the statements of comprehensive income on page 7.

The directors do not recommend any payments of dividend for the year/period.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (10) to the financial statements.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (17) to the financial statements.

There were no movements in reserves except for changes to retained earnings which arose from profit or loss.

### DIRECTORS

(a) Directors of the Company

The directors of the Group during the year/period and at the date of this report were:

Deepak Kumar SETH
Pallak SETH
Zamal Uddin AHMED

In accordance with Article 7 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

(b) Director of the Company's subsidiary

During the period and up to date of this report, Muhammad Shahed Mahmud is also the director of the subsidiary of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transactions as disclosed in Note (19) to the finance statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group or its subsidiary were entered into or existed during the period.

PERMITTED INDEMNITY PROVISION

At no time during the financial period and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Group and holding company (whether made by the Group or otherwise) or an associated company (if made by the Group).

BUSINESS REVIEW

The Group is a wholly owned subsidiary of another body corporate. Accordingly, the Group is exempted from preparing a business review.

AUDITORS

During the period, Messrs. Louis Lai & Luk CPA Limited has been appointed as the auditors of the Company. They now retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Zamal Uddin AHMED
Chairman

Hong Kong, May 18, 2018.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

9/F., Surson Commercial Building,
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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRUPO SOURCING LIMITED
**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the consolidated financial statements of Grupo Sourcing Limited ("the Company") and its subsidiary ("the Group") set out on pages 7 to 31, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended March 31, 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the period then ended, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HDICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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**INDEPENDENT AUDITOR'S REPORT (CONT'D)**
**TO THE MEMBERS OF**
**GRUPO SOURCING LIMITED**
**(incorporated in Hong Kong with limited liability)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, 18 MAY 2018

# GRUPO SOURCING LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 1/4/2017 -31/3/2018 | 15/3/2016 -31/3/2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 31,465,478 | 7,196,452 |
| COST OF SALES | | (27,824,195) | (5,286,151) |
| GROSS PROFIT | | 3,641,283 | 1,910,301 |
| OTHER INCOME AND GAINS | (6) | 2,191,014 | 248,303 |
| DEPRECIATION EXPENSES | | ( 145,559) | ( 106,910) |
| AMORTISATION | | ( 4,563) | ( 13,933) |
| STAFF COSTS | | ( 1,691,849) | ( 914,863) |
| OTHER OPERATING EXPENSES | | ( 2,686,224) | (2,190,177) |
| PROFIT/(LOSS) BEFORE TAXATION | (7) | 1,304,102 | (1,067,279) |
| TAXATION | (9) | ( 102,597) | ( 7,779) |
| PROFIT/(LOSS) FOR THE YEAR/PERIOD | | 1,201,505 | (1,075,058) |
| OTHER COMPREHENSIVE EXPENSE | | | |
| Item that may be reclassified to profit or loss: | | | |
| - Exchange difference on translating foreign operations | | ( 95,744) | ( 21,530) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD | | 1,105,761 | (1,096,588) |
| PROFIT/(LOSS) ATTRIBUTABLE TO: | | | |
| - Owners of the Company | | 1,201,488 | (1,074,978) |
| - Non-controlling interests | | 17 | ( 80) |
| | | 1,201,505 | (1,075,058) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO: | | | |
| - Owners of the company | | 1,105,748 | (1,096,508) |
| - Non-controlling interest | | 13 | ( 80) |
| | | 1,105,761 | (1,096,588) |

THE NOTES ON PAGES 11 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# GRUPO SOURCING LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | (10) | 260,001 | 371,777 |
| Intangible assets | (11) | - | 4,495 |
| Goodwill | (12) | 185,144 | 185,144 |
| | | 445,145 | 561,416 |
| Current Assets | | | |
| Trade receivables | (13) | 10,181,779 | 6,324,377 |
| Deposits and prepayment | | 99,526 | 12,693 |
| Amount due from fellow subsidiaries | (8(ii)) | 4,578,530 | - |
| Deferred tax assets | (14) | 42,032 | - |
| Cash and cash equivalents | | 442,179 | 799,554 |
| | | 15,344,046 | 7,136,624 |
| Current Liabilities | | | |
| Trade and other payables | (16) | 8,575,476 | 1,324,122 |
| Amounts due to immediate holding company | (15) | 78,384 | - |
| Amounts due to fellow subsidiaries | (15) | 6,291,097 | 6,669,056 |
| Provision for taxation | | 57,007 | 23,396 |
| | | 15,001,964 | 8,016,574 |
| Net Current Assets/(Liabilities) | | 342,082 | ( 879,950) |
| NET ASSETS/(LIABILITIES) | | 787,227 | ( 318,534) |
| EQUITY/(DEFICIT) | | | |
| Share capital | (17) | 778,000 | 778,000 |
| Reserve | | 9,299 | (1,096,593) |
| Equity attributable to owners of the company | | 787,299 | ( 318,593) |
| Non-controlling interests | | ( 72) | 59 |
| TOTAL EQUITY/(DEFICIT) | | 787,227 | ( 318,534) |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Zamal Uddin AHMED
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# GRUPO SOURCING LIMITED

## CONSOLIATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Translation Reserve | (Accumulated Losses)/ Retained Earnings | Non-controlling Interests | Total |
|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ |
| Issuance of chare capital | 778,000 | - | - | - | 778,000 |
| Acquisition of subsidiary | - | - | - | 54 | 54 |
| Recalculation of non-controlling interest | - | - | ( 85) | 85 | - |
| Loss for the year and total comprehensive loss for the period | - | ( 21,529) | (1,074,979) | ( 80) | (1,096,588) |
| At March 31, 2017 | 778,000 | ( 21,529) | (1,075,064) | 59 | ( 318,534) |
| Profit for the year and total comprehensive income for the year | - | ( 95,744) | 1,201,492 | 13 | 1,105,761 |
| At March 31, 2018 | 778,000 | (117,273) | 126,428 | 72 | 787,227 |

THE NOTES ON PAGES 11 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# GRUPO SOURCING LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 1/4/2017 -31/3/2018 | 16/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit/(Loss) before taxation | 1,304,102 | (1,067,279) |
| Adjustments for: | | |
| Amortisation | 4,563 | 13,933 |
| Depreciation | 145,559 | 106,910 |
| Bank interest income | ( 2,203) | - |
| **OPERATING LOSS BEFORE WORKING CAPITAL CHANGES** | 1,452,021 | ( 946,436) |
| (Increase)/Decrease in deposits and prepayment | ( 86,833) | 127 |
| Increase in trade receivables | (3,857,402) | (6,324,377) |
| Increase in trade and other payable | 7,251,354 | 464,006 |
| Increase in tax payable | - | 14,463 |
| **CASH GENERATED FROM/(USED IN) OPERATIONS** | 4,759,140 | (6,792,217) |
| Bank interest received | 2,203 | - |
| Tax paid in other jurisdiction | ( 183,194) | - |
| Net cash generated from/(used in) operating activities | 4,578,149 | (6,792,217) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of plant and equipment | ( 42,951) | ( 84,935) |
| Payment to acquire intangible asset | - | ( 17,978) |
| Acquisition of a subsidiary net of cash acquired | - | 269,160 |
| Net cash (used in)/generated from investing activities | ( 42,951) | 166,247 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issuance of share capital | - | 778,000 |
| Net (payments to)/receipts from fellow subsidiaries | (4,956,489) | 6,669,056 |
| Net receipt from immediate holding company | 78,384 | - |
| Net cash (used in)/generated from financing activities | (4,878,105) | 7,447,056 |
| **NET (DECREASE)/INCREASE CASH AND CASH EQUIVALENTS** | ( 342,907) | 821,086 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 799,554 | - |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | ( 14,468) | ( 21,532) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 442,179 | 799,554 |

THE NOTES ON PAGES 11 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# GRUPO SOURCING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Grupo Sourcing Limited is a company incorporated in Hong Kong with limited liability. Its principal activities are garment trading and investment holding. The Company's registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the immediate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius. The ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India and its shares are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial period but are not applicable to the Group, and accordingly, they have had no material impact on the Group's financial statements for the year ended March 31, 2018.

c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended March 31, 2018, in these consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the Consolidated Statement of Financial Position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's statements of financial position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

| | |
|---|---|
| Furniture and fixtures | 25% |
| Office equipment | 33.33% |
| Computer equipment | 33.33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of profit or loss and comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the consolidated financial statements and any resulting gain or loss is included in the consolidated statement of profit or loss and comprehensive income.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

g. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets

The Group's financial assets are only classified under loans and receivables category.

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated statement of profit or loss and comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

j. Financial Liabilities

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities comprise trade and other payables and amounts due to fellow subsidiaries and immediate holding company, and bank borrowing which are subsequently measured at amortized cost, using the effective interest method.

k. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

m. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and comprehensive income.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss and comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of profit or loss and comprehensive income.

o. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

p. Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when goods are delivered to buyers.
- Inspection and commission income is recognised when the services are rendered.
- Other income is recognised on a receipt basis.

q. Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Group is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit cost arising from the MPF Scheme charged to the consolidated statement of profit or loss and comprehensive income represent contribution payable to the funds by the Group in accordance with the rules of the MPF Scheme.

r. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the consolidated statement of profit or loss and comprehensive income.

No provision on employee entitlements to annual leave is provided in the financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

s. Related Parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or a parent of the Group.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

t. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Group comprise trade receivables, deposits and prepayment, amounts due from fellow subsidiaries, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the consolidated and Company statements of financial position or in the corresponding notes to the consolidated financial statements. The financial liabilities of the Group comprise trade and other payables, and amounts due to immediate holding company and fellow subsidiaries which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statement of financial position or in the corresponding notes to the consolidated financial statements.

### (ii) Financial risk management

The Group's financial risks are limited by the financial management policies and practices described below.

#### (a) Credit risk

The Group has no significant concentrations of credit risk because the creditworthiness of each of the Group's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Group is adequately protected from the credit risk.

#### (b) Liquidity risk

As the holding company and fellow subsidiaries have confirmed its willingness to provide continuous financial support to the Group, the management is of the opinion that the Group is adequately protected from the liquidity risk.

#### (c) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As the holding company and fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal values of current assets and liabilities are assumed to approximate their fair values.

## 6. REVENUE, OTHER INCOME AND GAINS

| | 1/4/2017 -31/3/2018 | 15/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| Revenue, other income and gains recognised during the year/period including revenue arising from: | | |
| Revenue: | | |
| Sales and marketing income | 31,465,478 | 7,195,452 |
| Other income and gains: | | |
| Commission income | 1,977,572 | 153,318 |
| Inspection income | 166,382 | 4,279 |
| Sundry income | 46,624 | 90,706 |
| Exchange gain, net | 436 | - |
| | 2,191,014 | 248,303 |
| Total revenue recognised | 33,656,492 | 7,443,755 |

## 7. PROFIT/(LOSS) BEFORE TAXATION

| | | |
|---|---|---|
| Profit/(Loss) before taxation is stated after charging/(crediting): | | |
| Depreciation | 145,559 | 106,910 |
| Amortisation of intangible assets | 4,563 | 13,933 |
| Exchange (gain)/loss, net | ( 436) | 9,533 |
| Staff costs (including directors' remuneration) | | |
| - Salaries and allowance | 1,684,996 | 913,250 |
| - Staff welfare expenses | 6,853 | 1,612 |

8. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Group disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | - | - |
| Retirement benefits | - | - |
| | - | - |

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Group and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

| Name of borrower | Relationship | Outstanding principal: At beginning of year | Outstanding principal: At end of year | Outstanding principal: Maximum outstanding |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$ |
| Poeticgem Australia Limited | Fellow subsidiary | - | 1,556,000 | 1,556,000 |
| Green Apparel Industrial Limited | Fellow subsidiary | - | 466,800 | 466,800 |
| PDS Asia Star Corporation Limited | Fellow subsidiary | - | 2,555,730 | 2,555,730 |
| | | - | 4,578,530 | |

Principal terms: The loan , quasi-loans and credit transactions are interest free, unsecured, and have no fixed payment terms

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

In the opinion of the directors, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

(iii) Material interests of directors (including shadow directors) of the Group disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, except for the related party transactions as disclosed in Note (19) to the financial statements, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

9. TAXATION

No Hong Kong profit tax has been provided in the financial statements as the Group made no assessable profits for the year/period. Profits tax of subsidiary has been calculated at the prevailing rate of the country in which the subsidiary operates.

| | 1/4/2017 -31/3/2018 | 16/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| Current: | | |
| Overseas income tax | 144,629 | 7,779 |
| Deferred taxation: | | |
| Origination of temporary difference | | |
| - Depreciation allowance | ( 42,032) | - |
| Total tax charge for the year/period | 102,597 | 7,779 |

The charge for the year can be reconciled to the loss per the consolidated statement of profit or loss and comprehensive income as follows:

| | 1/4/2017 -31/3/2018 | 16/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| Profit/(loss) before taxation | 1,201,505 | (1,067,279) |
| Tax loss at the domestic income tax rate | 317,773 | ( 106,595) |
| Income not subject to tax | ( 215,176) | - |
| Tax loss not recognised | - | 114,374 |
| Taxation expense for the year/period | 102,597 | 7,779 |

10. PLANT AND EQUIPMENT

| | Office equipment | Computer equipment | Furniture and fixture | Total |
|---|---|---|---|---|
| Cost | HK$ | HK$ | HK$ | HK$ |
| Acquisition from a subsidiary | 91,396 | 55,295 | 256,936 | 403,627 |
| Additions | 6,054 | 28,582 | 50,299 | 84,935 |
| Exchange realignment | ( 904) | ( 547) | ( 2,543) | ( 3,994) |
| At 31/3/2017 and 1/4/2017 | 96,546 | 83,330 | 304,692 | 484,568 |
| Additions | 19,052 | 13,604 | 7,985 | 40,641 |
| Exchange realignment | ( 3,814) | ( 3,293) | ( 12,035) | ( 19,142) |
| At 31/3/2018 | 111,784 | 93,641 | 300,642 | 506,067 |
| Accumulated Depreciation | | | | |
| Acquisition from a subsidiary | 1,154 | - | 8,273 | 9,427 |
| Charge for the year | 28,780 | 21,745 | 56,385 | 106,910 |
| Exchange realignment | ( 941) | ( 702) | ( 1,903) | ( 3,546) |
| At 31/3/2017 and 1/4/2017 | 28,993 | 21,043 | 62,755 | 112,791 |
| Charge for the year | 33,961 | 32,931 | 78,667 | 145,559 |
| Exchange realignment | ( 10,608) | 5,033 | ( 6,709) | ( 12,284) |
| At 31/3/2018 | 52,346 | 59,007 | 134,713 | 246,066 |
| Net Carrying Amount | | | | |
| At 31/3/2018 | 59,438 | 34,634 | 165,929 | 260,001 |
| At 31/3/2017 | 67,553 | 62,287 | 241,937 | 371,777 |

11. INTANGIBLE ASSET

| | Computer System |
|---|---|
| | HK$ |
| Cost | |
| Additions, 31/3/2017 and 31/3/2018 | 17,978 |
| Accumulated Amortisation | |
| At 1/4/2016 | - |
| Amortise for the year | 13,933 |
| Exchange realignment | ( 450) |
| At 31/3/2017 and 1/4/2017 | 13,483 |
| Amortise for the year | 4,563 |
| Exchange realignment | ( 68) |
| At 31/3/2018 | 17,978 |
| Net Carrying Amount | |
| At 31/3/2018 | - |
| At 31/3/2017 | 4,495 |

12. GOODWILL

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Cost and carrying amount | | |
| Acquisition at a subsidiary | 185,144 | 185,144 |

13. TRADE RECEIVABLES

| | | |
|---|---|---|
| Trade receivables (Note (i)) | 10,181,779 | 6,324,377 |
| (i) Aging analysis of trade receivables is as follows: | | |
| Neither past due nor impaired | 10,181,779 | 6,324,377 |

14. Deferred tax assets

| | Related depreciation in excess of depreciation allowance |
|---|---|
| | HK$ |
| At April 1, 2017 | - |
| Deferred tax credited to the statement of profit or loss during the year (Note 9) | 42,032 |
| Gross deferred tax assets recognized in the consolidated statement of financial position at March 31, 2018 | 42,032 |

15. AMOUNTS DUE TO FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY

The amounts due to fellow subsidiaries and immediate holding company are unsecured, interest-free and have no fixed terms of repayment. The fellow subsidiaries and immediate holding company had agreed not to demand repayment until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

16. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade payables (Note (i)) | 6,801,460 | 1,004,006 |
| Trade deposit received | 435,314 | 104,085 |
| Other payables and accruals | 1,338,702 | 216,031 |
| | 8,575,476 | 1,324,122 |

(i) Maturity of the trade payables is as follows:

| | | |
|---|---|---|
| Due for payment: | | |
| Not later than one year | 6,801,460 | 1,004,006 |

17. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Issued and fully paid: Ordinary shares of US$1 each | | | | |
| At March 31 | 100,000 | 778,000 | 100,000 | 778,000 |

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

## 18. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Non-Current Assets | | | |
| Interest in a subsidiary | (18a) | 1,849,671 | 2,155,060 |
| Current Assets | | | |
| Trade receivables | | 2,533,061 | 5,307,871 |
| Deposits and prepayments | | 1,059,835 | - |
| Amounts due from fellow subsidiaries | | 4,578,530 | - |
| Cash and cash equivalents | | 225,343 | 592,958 |
| | | 8,396,769 | 5,900,829 |
| Current Liabilities | | | |
| Amounts due to immediate holding company | | 78,384 | - |
| Amounts due to fellow subsidiaries | | 6,291,097 | 6,665,238 |
| Trade and other payables | | 2,820,456 | 1,305,829 |
| | | 9,189,937 | 7,971,067 |
| Net Current Liabilities | | ( 793,168) | (2,070,238) |
| NET ASSETS | | 1,056,503 | 84,822 |
| EQUITY | | | |
| Share capital | | 778,000 | 778,000 |
| Retained earnings/(Accumulated losses) | (18b) | 278,503 | ( 693,178) |
| TOTAL EQUITY | | 1,056,503 | 84,822 |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Zamal Uddin AHMED
Director

Pallak SETH
Director

18. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

a. INTEREST IN A SUBSIDIARY

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Unlisted investment, at cost | 1,373,170 | 1,377,060 |
| Amount due from a subsidiary (Note (b)) | 476,501 | 778,000 |
| | 1,849,671 | 2,155,060 |

Details of subsidiary are as follows:

| Name of subsidiary | Place of incorporation | Percentage of ownership and voting power | Nature of business |
|---|---|---|---|
| Grupo Sourcing Limited * | Bangladesh | 99.99% | Trading and supply of goods and services including garments related activities |

* Not audited by Louis Lai & Luk CPA Limited

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. No provision for bad and doubtful debts has been made on the amounts due from a subsidiary. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

b. MOVEMENT IN THE RESERVES OF THE COMPANY

| | (Accumulated Losses)/ Retained Earnings |
|---|---|
| | HK$ |
| Loss for the year and total comprehensive loss for the year and at March 31, 2017 | (693,178) |
| Profit for the year and total comprehensive income for the year | 971,681 |
| At March 31, 2018 | 278,503 |

19. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following transactions with the related parties below.

| Name of Company | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Multinational Textile Group Ltd. | Immediate holding company | Management and service fee | 282,414 | 140,040 |
| Poetic Brand Limited | Fellow subsidiary | Sales | 977,782 | - |
| Poeticgem International Ltd. | Fellow subsidiary | Sales | 96,745 | - |
| Poeticgem International Ltd. | Fellow subsidiary | Sales | - | 3,988,478 |
| | | Commission income | - | 153,318 |
| | | Consulting fees | 746,880 | - |

## 20. CURRENCY RISK

### (i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HKD) 2018 | | |
|---|---|---|---|
| | BDT | USD | Total |
| Deposit and prepayment | - | 1,056,135 | 1,056,135 |
| Trade receivables | 7,648,718 | 2,533,061 | 10,181,779 |
| Trade and other payables | (5,168,755) | (2,379,586) | ( 7,548,341) |
| Tax payables | ( 57,007) | - | ( 57,007) |
| Cash and cash equivalents | - | 222,990 | 222,990 |
| Net exposure arising from recognised assets and liabilities | 2,422,956 | 1,432,600 | 3,855,556 |

| | (Expressed in HKD) 2017 | | |
|---|---|---|---|
| | BDT | USD | Total |
| Deposit and prepayment | 12,693 | - | 12,693 |
| Trade and other receivables | 1,016,506 | - | 1,016,506 |
| Trade and other payables | ( 18,293) | - | ( 18,293) |
| Tax payables | ( 23,396) | - | ( 23,396) |
| Cash and cash equivalents | 206,596 | 591,924 | 798,520 |
| Net exposure arising from recognised assets and liabilities | 1,194,106 | 591,924 | 1,786,030 |

20. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| Bangladeshi Taka (BDT) | 202,317 | (202,317) | 99,708 | (99,708) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Group's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Group's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes.

21. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Group's Board of Director on May 18, 2018.

# GRUPO SOURCING LIMITED
## CONSOLIDATED DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

| | 1/4/2018 -31/3/2018 | 16/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 31,465,478 | 7,196,452 |
| COST OF SALES | (27,824,195) | (5,286,151) |
| GROSS PROFIT | 3,641,283 | 1,910,301 |
| OTHER INCOME AND GAINS | | |
| Commission income | 1,977,572 | 153,318 |
| Exchange gain, net | 436 | - |
| Inspection income | 166,382 | 90,210 |
| Sundry income | 46,624 | 4,775 |
| | 5,832,297 | 2,158,604 |
| OPERATING EXPENSES | | |
| Depreciation Expenses | | |
| Depreciation | 145,559 | 106,910 |
| Amortisation | 4,563 | 13,933 |
| | 150,122 | 120,843 |
| Staff Costs | | |
| Staff salaries and allowance | 1,684,996 | 913,251 |
| Staff welfare | 6,853 | 1,612 |
| | 1,691,849 | 914,863 |
| Other Operating Expenses | | |
| Air freight charges | 20,439 | 195,604 |
| Auditor's remuneration | 28,552 | 28,682 |
| Bank charges | 145,834 | 29,194 |
| Business registration fee | - | 11,398 |
| Car parking charge | 2,577 | 2,018 |
| Club and membership fee | - | 2,573 |
| Compliance expenses | 46,689 | - |
| Computer expenses | 31,120 | - |
| Consulting fees | 746,880 | 840,240 |
| Courier charges | 85,814 | 26,374 |
| Electricity, water and gas expense | 30,792 | 23,988 |
| Entertainment | 71,811 | 6,876 |
| Exchange loss, net | - | 13,640 |
| Government fees | 1,065 | 4,337 |
| Housekeeping and clearing fee | 11,574 | 7,988 |
| Insurance | 24,642 | 10,952 |
| Legal and professional fee | 64,000 | 56,606 |
| Local travelling | 66,024 | 25,745 |
| Management expenses | 282,414 | 140,040 |
| Motor vehicle expenses | 142,897 | 115,439 |
| Office expenses | 12,899 | 52,789 |
| Oversea travelling | 362,484 | 282,558 |
| Printing and stationery | 13,155 | 12,219 |
| Recharge expenses | 280,269 | - |
| Recruitment expenses | - | 157,367 |
| Rent and rates | 95,255 | 65,583 |
| Repair & maintenance | 6,739 | 6,983 |
| Sample expenses | 8,245 | 1,086 |
| Security charges | 37,913 | 33,296 |
| Stamp duty | - | 763 |
| Sundry expenses | 155 | - |
| Telecommunication | 52,983 | 22,948 |
| Visa charges | 13,003 | 12,591 |
| | 2,686,224 | 2,190,177 |
| | 4,528,195 | 3,225,883 |
| PROFIT/(LOSS) BEFORE TAXATION | 1,304,102 | (1,067,279) |

# GRUPO SOURCING LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

| | 1/4/2017 -31/3/2018 | 16/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 23,814,182 | 5,757,774 |
| COST OF SALES | (21,315,113) | (5,286,151) |
| GROSS PROFIT | 2,499,069 | 471,623 |
| OTHER INCOME AND GAINS | 195,762 | 243,643 |
| | 2,694,831 | 715,266 |
| OPERATING EXPENSES | | |
| Air freight charges | 9,708 | 195,604 |
| Auditors' remuneration | 20,475 | 19,500 |
| Bank charges | 144,157 | 28,481 |
| Business registration fee | 2,250 | 250 |
| Compliance expenses | 46,689 | - |
| Computer expenses | 31,120 | - |
| Consultancy fee | 746,880 | 840,240 |
| Courier charges | 37,417 | 8,154 |
| Exchange loss, net | 3,792 | - |
| Insurance | 6,579 | - |
| Internet expenses | - | 300 |
| Legal and professional fee | - | 21,572 |
| Management expenses | 282,414 | 140,040 |
| Oversea travelling | 5,782 | 580 |
| Penalty from customers | 104,696 | - |
| Print and stationery | 2,588 | 1,250 |
| Recharge expenses | 280,269 | - |
| Recruitment expenses | - | 151,710 |
| Sample expenses | 2,334 | - |
| Stamp duty | - | 763 |
| | 1,727,150 | 1,408,444 |
| PROFIT/(LOSS) BEFORE TAXATION | 967,681 | ( 693,178) |

File No. 23/65882411

# GRUPO SOURCING LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

**SCH 1**

| | HK$ |
|---|---|
| Basis period: 1/4/2017 - 31/3/2018 | |
| Profit per audited financial statements and assessable profit | 967,681 |

The Company is an exporter of garment and conducts its business outside of Hong Kong. It is our view that the operations for which the revenue of the Company accrues were conducted outside of Hong Kong and its profits were therefore not chargeable to Hong Kong Profits tax under Section 14 of the Inland Revenue Ordinance.

# GREEN APPAREL INDUSTRIES LIMITED

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

**LOUIS LAI & LUK CPA LIMITED**
**CERTIFIED PUBLIC ACCOUNTANTS**

# GREEN APPAREL INDUSTRIES LIMITED

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# GREEN APPAREL INDUSTRIES LIMITED

## DIRECTORS' CONSOLIDATED REPORT

The directors present their annual consolidated report and the annual audited financial statements for the year ended March 31, 2018.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are garment trading and investment holding. The principle activity and other particulars of the subsidiary are set out in the Note (20a) to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiary (the "Group") for the year ended March 31, 2018 are set out in the consolidated statements of comprehensive income on page 7.

The directors do not recommend any payments of dividend for the year.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (13) to the consolidated financial statements.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (19) to the consolidated financial statements.

Movements in reserves are set out in the consolidated statement of change in equity on page .

### DIRECTORS

(a) Directors of the Company

The directors of the Group during the year and at the date of this report were:

Pallak SETH
Deepak Kumar SETH
Md Fateh-ul ISLAM

In accordance with Article 23 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiary

During the year and up to date of this report, Md. Fateh Ul Islam., Md. Shahed Mahmud are also the directors of the subsidiary of the Company.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transactions as disclosed in Note (21) to the finance statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Group and holding company (whether made by the Group or otherwise) or an associated company (if made by the Group).

## BUSINESS REVIEW

The Group is a partially owned subsidiary of another body corporate. Accordingly, the Group is exempted from preparing a business review.

## AUDITORS

The Group's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Md Fateh-ul ISLAM
Chairman

Hong Kong, May 18, 2018.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF
# GREEN APPAREL INDUSTRIES LIMITED
**(incorporated in the Hong Kong with limited liability)**

## Opinion

We have audited the consolidated financial statements of Green Apparel Industries Limited ("the Company") and its subsidiary ("the Group") set out on pages 7 to 30, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended March 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating to the Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2d) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the fellow subsidiaries and the attaining of profitable and positive cash flow operations, and the Group may turn to a commercially viable concern. The consolidated financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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瑞信集團大廈九樓



**Information Other than the Financial Statements and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those charged with Governance for the Consolidated Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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**INDEPENDENT AUDITOR'S REPORT (CONT'D)**
**TO THE MEMBERS OF**
**GREEN APPAREL INDUSTRIES LIMITED**
**(incorporated in the Hong Kong with limited liability)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, 18 MAY 2018

# GREEN APPAREL INDUSTRIES LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 1/4/2017 -31/3/2018 | 15/3/2016 -31/3/2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 15,243,241 | 4,683,698 |
| COST OF SALES | | (17,202,819) | (3,705,564) |
| GROSS (LOSS)/PROFIT | | (1,959,578) | 978,134 |
| OTHER INCOME | (6) | 21,104 | 2 |
| STAFF COST | | ( 5,955,442) | ( 961,235) |
| DEPRECIATION | | ( 562,537) | ( 574) |
| OTHER OPERATING EXPENSES | | ( 9,874,127) | (2,621,634) |
| LOSS FROM OPERATIONS | | (18,330,580) | (2,603,319) |
| FINANCE COSTS | (7) | ( 1,323,549) | ( 178,983) |
| LOSS BEFORE TAXATION | (8) | (19,654,129) | (2,782,302) |
| TAXATION | (11) | - | - |
| LOSS FOR THE YEAR / PERIOD | | (19,654,129) | (2,782,302) |
| OTHER COMPREHENSIVE EXPENSE | | | |
| Item that may be reclassified to profit or loss: | | | |
| - Exchange difference on translating foreign operations | | 2,538,557 | ( 289,956) |
| - Disposal of partial interests of a subsidiary without losing control | | - | 297 |
| | | | (3,071,961) |
| LOSS ATTRIBUTABLE TO: | | | |
| - Owners of the Company | (12) | (19,652,254) | (2,781,035) |
| - Non-controlling interests | | ( 875) | ( 1,267) |
| | | (19,654,129) | (2,782,302) |
| TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO: | | | |
| - Owners of the company | | (22,191,811) | (3,070,743) |
| - Non-controlling interest | | ( 875) | ( 1,218) |
| | | (22,192,686) | (3,071,961) |

THE NOTES ON PAGES 11 TO 30 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# GREEN APPAREL INDUSTRIES LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | At 31/3/2018 | At 31/3/2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | (13) | 25,946,343 | 20,094 |
| Construction in progress | | 30,196,835 | 13,015,166 |
| Goodwill | (15) | 25,670 | 25,670 |
| Intangible assets | (14) | 338,878 | - |
| | | 56,507,726 | 13,060,930 |
| Current Assets | | | |
| Inventory | (17) | 11,066,057 | 1,988 |
| Trade and other deposits | (16) | 26,466,051 | 6,209,370 |
| Amount due from shareholders | (18) | 280,362 | 758,102 |
| Cash and cash equivalents | | 1,799,649 | 3,259,795 |
| | | 39,612,119 | 10,229,255 |
| Current Liabilities | | | |
| Amount due to fellow subsidiaries | (18) | 64,176,045 | 3,625,804 |
| Trade and other payables | (19) | 14,403,970 | 4,064,248 |
| Bank borrowings | (20) | 398,838,785 | 17,116,000 |
| Amount due to immediate holding company | (18) | 133,863 | - |
| | | 118,552,663 | 24,806,052 |
| Net Current Liabilities | | ( 78,940,544) | (14,576,797) |
| NET LIABILITIES | | ( 22,432,818) | ( 1,515,867) |
| DEFICIT | | | |
| Share capital | (21) | 1,556,000 | 1,556,000 |
| Accumulated losses | | ( 23,986,712) | ( 3,070,636) |
| Equity attributable to owners of the company | | ( 22,430,712) | ( 1,514,636) |
| Non-controlling interests | | ( 2,106) | ( 1,231) |
| TOTAL DEFICIT | | ( 22,432,818) | ( 1,515,867) |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Md Fateh-ul ISLAM
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 30 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# GREEN APPAREL INDUSTRIES LIMITED

## AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE PERIOD FROM MARCH 15, 2017 (DATE OF INCORPORATION) TO MARCH 31, 2018

| | Share Capital | Translation Reserve | Accumulated Losses | Non-controlling Interests | Total |
|---|---|---|---|---|---|
| | HK$ | HK$ | HK$ | HK$ | HK$ |
| Issuance of share capital | 1,556,000 | - | - | - | 1,556,000 |
| Investment in subsidiary | - | - | - | 94 | 94 |
| Recalculation of Non-controlling interest | - | - | 107 | ( 107) | - |
| Loss for the period and total comprehensive loss for the period | - | ( 289,659) | ( 2,781,084) | (1,218) | ( 3,071,961) |
| At March 31, 2017 | 1,556,000 | ( 289,659) | ( 2,780,977) | (1,231) | ( 1,515,867) |
| Loss for the year and total comprehensive loss for the year | - | (1,262,822) | (19,653,254) | ( 875) | (20,916,951) |
| | 1,556,000 | (1,552,481) | (22,434,231) | (2,106) | 22,432,818 |

THE NOTES ON PAGES 11 TO 30 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# GREEN APPAREL INDUSTRIES LIMITED
## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED MARCH 31, 2018

| | 1/4/2017 -31/3/2018 | 15/3/2016 -31/3/2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | HK$ | HK$ |
| Loss before taxation and operating loss before working capital changes | (19,654,129) | ( 2,782,302) |
| Adjustments for: | | |
| Interest expenses | 1,323,549 | 178,983 |
| Interest income | ( 6,106) | ( 2) |
| Depreciation | 542,858 | 574 |
| Amotisation | 19,679 | - |
| OPERATING LOSS BEFORE WORKING CAPITAL CHANGES | (17,774,149) | ( 2,602,747) |
| Increase in inventory | (11,064,069) | ( 1,988) |
| Increase in trade and other receivable | (20,256,681) | ( 5,687,008) |
| Increase/(Decrease) in trade and other payables | 10,339,722 | ( 689,615) |
| Net payment to fellow subsidiaries | - | ( 1,110,593) |
| Net receipt from fellow subsidiaries | 61,308,343 | 2,867,702 |
| Net payments to shareholders | ( 280,362) | - |
| Net receipts from immediate holding company | 133,863 | - |
| Cash generated from/(used in) operations | 22,406,667 | ( 7,224,249) |
| Interest paid | (1,323,549) | ( 178,983) |
| Interest income | 6,106 | 2 |
| Net cash generated from/(used in) operating activities | 21,089,224 | ( 7,403,230) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Increase in construction in progress | (17,181,669) | (17,181,669) |
| Purchase of plant and equipment | (26,440,285) | ( 8,554,041) |
| Acquisition of a subsidiary net of cash acquired | - | 834,725 |
| Payment to acquisition of intangible assets | (357,499) | - |
| Net cash used in investing activities | (43,979,453) | ( 7,719,316) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issuance of subsidiary's share capital | - | 297 |
| Issuance of share capital | - | 1,556,000 |
| Net receipt from bank loan | 22,722,785 | 17,116,000 |
| Net cash generated from financing activities | 22,722,785 | 18,672,297 |
| **NET (DECREASE)/INCREASE CASH AND CASH EQUIVALENTS** | ( 167,444) | 3,549,751 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR /PERIOD** | 3,259,795 | - |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | ( 1,292,702) | ( 289,956) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD** | 1,799,649 | 3,259,795 |

THE NOTES ON PAGES 11 TO 30 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# GREEN APPAREL INDUSTRIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Green Apparel Industries Limited is a company incorporated in Hong Kong with limited liability. Its principal activities are garment trading and investment holding. The Company's registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the immediate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius. The ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India and its shares are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Group, and accordingly, they have had no material impact on the Group's financial statements for the year ended March 31, 2018.

c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied any new and revised HKFRSs that have been issued but are not year effective for the accounting year ended March 31, 2018, in these consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

d. Going Concern

The holding company has confirmed the willingness to provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the Consolidated Statement of Comprehensive Income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's statements of financial position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

| | |
|---|---|
| Office equipment | 33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the consolidated financial statements and any resulting gain or loss is included in the consolidated statement of comprehensive income.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

i. Financial Assets

The Group's financial assets are only classified under loans and receivables category.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

k. Financial Liabilities

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities comprise trade and other payables and amounts due to fellow subsidiaries and immediate holding company, and bank borrowing which are subsequently measured at amortized cost, using the effective interest method.

l. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

n. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Group's functional and presentation currency.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Translation of Foreign Currency (Cont'd)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 consolidated statement of comprehensive income.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of comprehensive income.

p. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

q. Recognition of Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when goods are delivered to buyers.
- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Other income is recognised on a receipt basis.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

r. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

s. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the consolidated statement of comprehensive income.

No provision on employee entitlements to annual leave is provided in the financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

t. Related Parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or a parent of the Group.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

u. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Group comprise trade and other receivable, deposits, amounts due from fellow subsidiaries, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the consolidated and Company statements of financial position or in the corresponding notes to the consolidated financial statements. The financial liabilities of the Group comprise trade and other payables, and amounts due to immediate holding company and fellow subsidiaries which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statement of financial position or in the corresponding notes to the consolidated financial statements.

### (ii) Financial risk management

The Group's financial risks are limited by the financial management policies and practices described below.

#### (a) Liquidity risk

As the holding company and fellow subsidiaries have confirmed its willingness to provide continuous financial support to the Group, the management is of the opinion that the Group is adequately protected from the liquidity risk.

#### (b) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As the holding company and fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal values of current assets and liabilities are assumed to approximate their fair values.

| 6. REVENUE AND OTHER INCOME AND GAINS | 1/4/2017 -31/3/2018 | 15/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| Revenue recognised during the year including revenue arising from: | | |
| Turnover: | | |
| Sales of goods | 15,243,241 | 4,683,698 |
| Other income and gain, net: | | |
| Bank interest income | 6,106 | 2 |
| Other income | 2,510 | - |
| Exchange gain | 12,488 | - |
| | 21,104 | |
| Total revenue recognised | 15,264,345 | 4,683,700 |

| 7. FINANCE COST | | |
|---|---|---|
| Bank finance charges | 1,323,549 | 178,983 |

| 8. LOSS BEFORE TAXATION | | |
|---|---|---|
| Loss before taxation is stated after charging/(crediting): | | |
| Auditor's remuneration | 220,597 | 30,361 |
| Amortization | 19,679 | - |
| Depreciation | 542,858 | 574 |
| Exchange (gain)/loss, net | ( 12,488) | 16,631 |
| Staff costs (including directors' remuneration) | | |
| - Staff salaries | 5,559,525 | 917,029 |
| - Staff bonus | 177,586 | 14,292 |
| - Staff allowance | 191,201 | 29,914 |
| - Staff retirement benefits | 27,130 | - |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Group disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | HK$ | HK$ |
|---|---|---|
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | 273,811 | 212,491 |
| Retirement benefits | - | - |
| | 273,811 | 212,491 |

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Group and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

| Name of borrower | Outstanding principal | | |
|---|---|---|---|
| | At beginning of year | At end of year | Maximum outstanding |
| | HK$ | HK$ | HK$ |
| Techno Design (HK) Limited [1] | 389,000 | - | 389,000 |
| Gropo Sourcing Ltd [1] | 287,860 | - | 287,860 |
| Progress Manufacturing Group Limited [1] | 77,800 | - | 77,800 |
| Progress Apparel (BD) Limited [1] | 3,442 | - | 3,442 |
| | 758,102 | - | 758,102 |

[1] Fellow subsidiary, connected by Deepak Kumar SETH and Pallak SETH

Principal terms: The loans, quasi-loans and credit transactions are interest free, unsecured and have no fixed repayment terms.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or a controlled body corporate of such a director.

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(iii) Material interests of directors (including shadow directors) of the Group disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

In the opinion of the directors, except for the related party transactions disclosed in Note (21) to the consolidated financial statements, the directors or shadow directors, if any, of the Group, no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Company or another company in the same group of companies or subsisted during the year.

10. AUDITOR'S REMUNERATION

Auditor's remuneration and expenses for the year disclosed pursuant to Part 2 of Schedule 4 of the Hong Kong Companies Ordinance are as follow:

| | HK$ |
|---|---|
| Auditor's remuneration | 220,597 |
| Auditor's expenses | - |
| | 220,597 |

11. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the income of the Company neither arises in nor is derived from Hong Kong.

No deferred tax has been recognised in the financial statements on the grounds that the Company has no taxable/deductible temporary differences during the current year.

12. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit of HK$2,781,035 attributable to shareholders of the Group is a loss of HK$1,105,135 which is dealt with in the Company's own accounts.

13. PLANT AND EQUIPMENT

| | Leashold Land | Furniture and Fixtures | Office Equipment | Computer equipment | Plant and Machinery | Electrical Installation | Total |
|---|---|---|---|---|---|---|---|
| Cost | HKD | HKD | HKD | HKD | HKD | HKD | HKD |
| At 1/4/2016 | | | | | | | |
| Additions | - | - | 20,668 | - | - | - | 20,668 |
| At 31/3/2017 and 1/4/2017 | - | - | 20,668 | - | - | - | 20,668 |
| Additions | 8,976,853 | 1,034,025 | 294,426 | 534,445 | 11,742,994 | 3,857,542 | 6,440,285 |
| At 31/3/2018 | 8,976,853 | 1,034,025 | 315,094 | 534,445 | 11,742,994 | 3,857,542 | 26,460,953 |
| Accumulated Depreciation | | | | | | | |
| At 1/4/2016 | - | - | - | - | - | - | - |
| Charge for the period | - | - | 574 | - | - | - | 574 |
| At 31/3/2017 and 1/4/2017 | - | - | 574 | - | - | - | 574 |
| Charge for the year | - | 26,497 | 114,323 | 46,428 | 304,304 | 51,306 | 542,858 |
| Exchange realignment | - | ( 1,425) | ( 5,777) | ( 2,496) | ( 16,365) | ( 2,759) | ( 28,822) |
| At 31/3/2018 | - | 25,072 | 109,120 | 43,932 | 287,939 | 48,547 | 514,610 |
| Net Carrying Amount | | | | | | | |
| At 31/3/2018 | 8,976,853 | 1,008,953 | 205,974 | 490,513 | 11,455,055 | 3,808,995 | 25,946,343 |
| At 31/3/2017 | - | - | 20,094 | - | - | - | 20,094 |

14. INTANGIBLE ASSET

| | Software |
|---|---|
| Cost | HKD |
| At 1/4/2016 | - |
| Additions | - |
| At 31/3/2017 and 1/4/2017 | - |
| Additions | 357,499 |
| At 31/3/2018 | 357,499 |
| Accumulated Amortisation | |
| At 1/4/2016 | - |
| Charge for the period | - |
| At 31/3/2017 and 1/4/2017 | |
| Charge for the year | 19,679 |
| Exchange realignment | ( 1,058) |
| At 31/3/2018 | 18,621 |
| Net Carrying Amount | |
| At 31/3/2018 | 338,878 |
| At 31/3/2017 | - |

15. GOODWILL

| | 2018 | 2017 |
|---|---|---|
| Cost and carrying amount | HK$ | HK$ |
| Acquisition at a subsidiary | 25,670 | 25,670 |

16. TRADE AND OTHER RECEIVABLE

| | | |
|---|---|---|
| Trade receivable | 22,415,712 | - |
| Deposits and prepayments | 7,836,394 | 6,209,370 |
| Other receivable | 1,886,861 | - |
| | 22,415,712 | 6,209,370 |

(i) Aging analysis of trade receivable is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 22,415,712 | - |

17. INVENTORY

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Raw materials | 7,701,936 | 1,988 |
| Semi-finished goods | 1,071,062 | - |
| Finished goods | 2,293,059 | - |
| | 11,066,057 | 1,988 |

18. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY/SHAREHOLDERS

The amounts due from/to fellow subsidiaries/immediate holding company/shareholders are unsecured, interest-free and have no fixed terms of repayments. The fellow subsidiaries/immediate holding company/shareholders had agreed not to demand repayment until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

19. ACCRUALS AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Other payables | 10,432,051 | 3,897,978 |
| Accruals | 348,779 | 166,270 |
| | 10,780,830 | 4,064,248 |

20. BANK BORROWINGS

The carrying amount of the bank borrowings at the end of reporting period is analyzed as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Amount repayable within one year: | | |
| Revolving loan | 39,838,785 | 17,116,000 |

21. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Issued and fully paid: Ordinary shares of US$1 each | | | | |
| At March 31 | 200,000 | 1,556,000 | 200,000 | 1,556,000 |

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

22. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant equipment | | 13,206 | 20,094 |
| Interest in a subsidiary | (21a) | 75,324,888 | 20,928,275 |
| Construction in progress | | 202,280 | 202,280 |
| | | 75,540,374 | 21,150,649 |
| Current Assets | | | |
| Amount due from fellow subsidiaries | | - | 754,660 |
| Amount due from a director | | 280,080 | - |
| Inventories | | 10,978,363 | - |
| Trade receivables | | 12,692,458 | - |
| Prepayment and deposit | | - | 18,793 |
| Cash and cash equivalents | | 98,921 | 54,067 |
| | | 24,049,822 | 827,520 |
| Current Liabilities | | | |
| Amount due to immediate holding company | | 133,863 | - |
| Amounts due to fellow subsidiaries | | 64,105,189 | 3,625,804 |
| Accruals and other payables | | 3,627,143 | 785,500 |
| Bank borrowings | | 39,838,785 | 17,116,000 |
| | | 107,704,980 | 21,527,304 |
| Net Current Liabilities | | ( 83,655,158) | (20,699,784) |
| NET(LIABILITIES)/ASSETS | | ( 8,114,784) | 450,865 |
| (DEFICIT)/EQUITY | | | |
| Share capital | | 1,556,000 | 1,556,000 |
| Accumulated losses | (21b) | ( 9,670,784) | ( 1,105,135) |
| TOTAL (DEFICIT)/EQUITY | | ( 8,114,784) | 450,865 |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Md Fateh-ul ISLAM
Director

Pallak SETH
Director

22. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

a. INTEREST IN A SUBSIDIARY

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Unlisted investment, at cost | 5,072,560 | 404,560 |
| Amount due from a subsidiary | 70,252,328 | - |
| | 75,324,888 | 404,560 |

Details of subsidiary are as follows:

| Name of subsidiary | Place of incorporation | Percentage of ownership and voting power | Nature of business |
|---|---|---|---|
| Green Smart Shirts Limited * | Bangladesh | 99.90% | Garment manufacturing and trading |

* Not audited by Louis Lai & Luk CPA Limited

b. RESERVE

| | Accumulated losses | |
|---|---|---|
| | 2018 | 2017 |
| | HK$ | HK$ |
| Total comprehensive income for the period | (9,670,784) | (1,105,135) |
| At March 31, 2018 | (9,670,784) | (1,105,135) |

23. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following transactions with the related parties below.

| Name of Company | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Global Textiles Group Limited | Fellow subsidiary | Consultancy fee | 1,292,883 | 630,180 |
| Multinational Textile Group Limited | Immediate holding company | Management expenses | 231,497 | 3,037,312 |
| | | SAP Expenses | 303,954 | - |
| PDS Asia Star Corporation Limited | Fellow subsidiary | Consultancy fee | - | 630,180 |

## 24. CURRENCY RISK

### (i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HKD) 2018 | | |
|---|---|---|---|
| | BDT | USD | Total |
| Deposit and prepayment | 13,773,594 | - | 13,773,594 |
| Trade and other receivables | - | 9,069,316 | 9,069,316 |
| Trade and other payables | (10,780,830) | - | (10,780,830) |
| Bank borrowing | - | (39,838,785) | (39,838,785) |
| Cash and cash equivalents | 1,700,727 | 91,780 | 1,792,507 |
| Net exposure arising from recognised assets and liabilities | 4,693,491 | (30,677,689) | (25,984,198) |

| | (Expressed in HKD) 2017 | | |
|---|---|---|---|
| | BDT | USD | Total |
| Deposit and prepayment | 6,190,577 | - | 6,190,577 |
| Trade and other payables | (3,278,748) | - | ( 3,278,748) |
| Bank borrowing | - | (17,116,000) | (17,116,000) |
| Cash and cash equivalents | 3,205,728 | 44,624 | 3,250,352 |
| Net exposure arising from recognised assets and liabilities | 6,117,557 | (17,071,376) | (10,953,819) |

24. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| Bangladeshi Dallars (BDT) | 124,045 | (124,045) | 510,816 | (510,816) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Group's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Group's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes.

25. INTEREST RATE RISK

| | 2018 | 2017 |
|---|---|---|
| Financial liabilities bearing variable interests: | HK$ | HK$ |
| Revolving loan | 39,838,785 | 17,116,000 |

Should market interest rate on March 31 increase by 10%, the profit or loss for the year would be reduced by a net amount of HK$110,516 (2017: HK$14,945). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

## 26. BANKING FACILITIES

General banking facilities granted by a bank were secured by the fellow subsidiaries' cash deposit, immediate holding company's corporate guarantee and directors' personal guarantee.

## 27. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

## 28. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Group's Board of Director on

# GREEN APPAREL INDUSTRIES LIMITED
## CONSOLIDATED DETAILED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED MARCH 31, 2018
### (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 1/4/2017 -31/3/2018 | 15/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 15,243,241 | 4,683,698 |
| COST OF SALES | | |
| Sub-contractors | 3,562,890 | - |
| Transportation | 2,554,537 | - |
| Purchases | 22,061,767 | 3,705,564 |
| Opening inventory | 1,988 | - |
| Less: Closing inventory | (10,978,363) | ( 1,988) |
| | 17,202,819 | 3,703,576 |
| GROSS (LOSS)/PROFIT | ( 1,959,578) | 980,122 |
| OTHER INCOME | | |
| Bank interest income | 6,106 | 2 |
| Exchange gain | 12,488 | - |
| Other income | 2,510 | - |
| | 21,104 | 2 |
| | (1,938,474) | 980,124 |
| LESS: OPERATING EXPENSES - SCH II | (17,715,655) | (3,762,426) |
| LOSS BEFORE TAXATION | (19,654,129) | (2,782,302) |

# GREEN APPAREL INDUSTRIES LIMITED
## CONSOLIDATED DETAILED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH II**

| | 1/4/2017 -31/3/2018 | 15/3/2016 -31/3/2017 |
|---|---|---|
| OPERATING EXPENSES | HK$ | HK$ |
| Depreciation Expenses | | |
| Depreciation | 542,858 | 574 |
| Amorisation | 19,679 | - |
| | 562,537 | 574 |
| Financial Costs | | |
| Bank interest expenses | 1,323,549 | 178,983 |
| Staff Cost | | |
| Director's remuneration | 273,811 | 212,491 |
| Staff salaries | 5,258,714 | 704,538 |
| Staff bonus | 177,586 | 14,292 |
| Staff welfare and allowance | 191,201 | 29,914 |
| Retirement benefits | 27,130 | - |
| | 5,955,442 | 961,235 |
| Operating Expenses | | |
| Advertising expenses | 13,266 | 2,573 |
| Air freight | - | 167 |
| Auditor's remuneration | 220,597 | 30,361 |
| Bank charges | 1,661,503 | 108,286 |
| Bought sample expenses | 2,428 | 366 |
| Business registration fee | 16,781 | - |
| Cleaning expenses | 361,145 | - |
| Clearance charges | 29,863 | - |
| Consulting fees | 2,216,271 | 1,522,546 |
| Conveyance expenses | - | 8,828 |
| Courier charges | 116,440 | 3,138 |
| Designing expense | - | 525 |
| Donation | 10,307 | - |
| Electricity, water and gas expense | 324,123 | 18,586 |
| Entertainment | 99,289 | 22,735 |
| Exchange difference, net | - | 16,631 |
| Factory expenses | 8,566 | - |
| Food allowance | - | 1,441 |
| Generator running and fuel | - | 22,148 |
| Gift and testimonials | 897 | 767 |
| Government and immigration expenses | 58,370 | 13,457 |
| Housekeeping and clearing fee | 76,459 | 11,910 |
| Insurance | 68,091 | 16,238 |
| Legal and professional fee | 91,454 | 26,538 |
| Licence renewal and registration fee | 44,985 | 8,109 |
| Loading fee | 27,141 | - |
| Machinery hiring fee | 6,120 | - |
| Management fee | 231,497 | 56,016 |
| Miscellaneous expenses | 199,126 | 706 |
| Motor vehicle expenses | 396,733 | - |
| Newspaper and books | 99 | - |
| Office expenses | 53,969 | 35,078 |
| Postage and stamp expenses | - | 80 |
| Printing and stationery | 181,575 | 16,788 |
| Recharge expenses | 724,049 | - |
| Recruitment expenses | - | 156,845 |
| Rent and rates | 232,512 | 213,916 |
| Repair and maintenance | 97,254 | 4,688 |
| Security expenses | 667,883 | 30,919 |
| Service charges | 19,029 | 15,740 |
| Staff training | 13,450 | 908 |
| Stamp duty | 4,717 | - |
| Taxi and car hire charges | 496,224 | 41,465 |
| Telephone and internet | 102,861 | 32,378 |
| Transport allowance | - | 300 |
| Transportation | 318,147 | - |
| Travelling local | 238,082 | - |
| Travelling oversea | 442,587 | 180,457 |
| Website expenses | 237 | |
| | 9,874,127 | 2,621,634 |
| | 17,715,655 | 3,762,426 |

# GREEN APPAREL INDUSTRIES LIMITED
## DETAILED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

| | 1/4/2017 -31/3/2018 | 15/3/2016 -31/3/2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 15,243,241 | 4,683,698 |
| COST OF SALES | | |
| Opening inventory | 1,988 | - |
| Purchases | 22,061,767 | 3,703,576 |
| Transportation | 2,554,537 | - |
| Sub-contractor | 3,562,890 | - |
| Less: Closing inventory | (10,978,363) | - |
| | 17,202,819 | 3,703,576 |
| GROSS (LOSS)/PROFIT | ( 1,959,578) | 980,122 |
| OTHER INCOME | | |
| Bank interest income | 12 | 2 |
| Exchange gain | 12,488 | - |
| Other income | 1,459 | - |
| | ( 1,945,619) | 980,124 |
| OPERATING EXPENSES | | |
| Depreciation Expenses | | |
| Depreciation | 6,889 | 574 |
| Financial Costs | | |
| Bank interest expenses | 1,323,549 | 180,304 |
| Staff Cost | | |
| Staff salaries | 6,672 | - |
| Other Operating Expenses | | |
| Auditor's remuneration | 20,475 | 19,500 |
| Bank charges | 1,626,062 | 107,477 |
| Business registration fee | 2,250 | 250 |
| Computer expenses | 303,954 | - |
| Consulting fees | 2,216,271 | 1,522,546 |
| Courier charges | 2,379 | - |
| Exchange lost, net | - | 252 |
| Formation expenses | - | 9,250 |
| Insurance | 49,629 | - |
| Internet fee | 517 | - |
| Legal and professional charges | 58,213 | 8,322 |
| Management expense | 231,497 | 56,016 |
| Printing and stationery | 3,768 | 1,300 |
| Recharge expenses | 724,049 | - |
| Rates and tax local | - | 700 |
| Recruitment expenses | - | 156,845 |
| Stamp duty | - | 779 |
| Taxi and car hire charges | - | 2,023 |
| Travelling local | - | 300 |
| Travelling oversea | 43,856 | 19,521 |
| | 5,282,920 | 1,904,381 |
| | 6,620,030 | 2,085,259 |
| LOSS BEFORE TAXATION | ( 8,565,649) | (1,105,135) |

File No. 23/65882681

# GREEN APPAREL INDUSTRIES LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

**SCH 1**

| | | HK$ |
|---|---|---|
| Basis period: 1/4/2017 - 31/3/2018 | | |
| Loss per audited financial statements | | 8,565,649 |
| Add: Interest income | (ACCOUNT) | 12 |
| Adjusted loss | | 8,565,661 |

The Company is an exporter of garment and conducts its business outside of Hong Kong. It is our view that the operations for which the income of the Company accrues were conducted outside of Hong Kong. Therefore, the captioned loss is not claimed.

# GREEN APPAREL INDUSTRIES LIMITED

## AUDIT ADJUSTMENTS

## FOR THE YEAR ENDED MARCH 31, 2018

| A/C code | DR | CR | Effect on Income Statement |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| Total effect on Statement of Comprehensive Income | | | |
| Accumulated losses as per client's financial statements | | | |
| Accumulated losses after client's late adjustment | | | |

Approved by:
Green Apparel Industries Limited

Director

Report of the Directors and Audited Financial Statements

STYLEBERRY LIMITED

31 March 2018

CERTIFIED TRUE COPY

ERNST & YOUNG

EY安永

Building a better working world

STYLEBERRY LIMITED

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STYLEBERRY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

Principal activity
The Company is engaged in the trading of garments during the current year.

Results
The Company's profit for the year ended 31 March 2018 and its financial position as at that date are set out in the financial statements on pages 6 to 26.

Directors
The directors of the Company during the year were:

Pallak Seth
Deepak Kumar Seth
Raveesh Khanna
Ajai Singh

In accordance with Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests
At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts
The directors had no material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors
Ernst & Young retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Pallak Seth
Chairman

Hong Kong
29 May 2018

EY安永

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**Independent auditor's report**
**To the members of Styleberry Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the financial statements of Styleberry Limited (the "Company") set out on pages 6 to 26, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the financial statements**
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.



A member firm of Ernst & Young Global Limited

**Independent auditor's report** (continued)
**To the members of Styleberry Limited**
(Incorporated in Hong Kong with limited liability)

**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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Independent auditor's report** (continued)
**To the members of Styleberry Limited**
(Incorporated in Hong Kong with limited liability)

**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 May 2018



A member firm of Ernst & Young Global Limited

STYLEBERRY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Notes | Year ended to 31 March 2018 HK$ | Period from 13 September 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|---|
| REVENUE | 4 | 23,817,549 | 3,602,883 |
| Cost of sales | | (20,899,115) | ( 3,260,259) |
| Gross profit | | 2,918,434 | 342,624 |
| Other income and gains | 4 | 155,297 | - |
| Selling and distribution costs | | ( 357,303) | - |
| Administrative expenses | | ( 894,031) | ( 106,560) |
| Other operating expenses | | ( 6,851) | ( 555) |
| Finance costs | 6 | ( 131,669) | ( 30,539) |
| PROFIT BEFORE TAX | 5 | 1,683,877 | 204,970 |
| Income tax expense | 8 | 46,475 | ( 46,475) |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD | | 1,730,352 | 158,495 |

STYLEBERRY LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSET | | | |
| Property, plant and equipment | 9 | 10,459 | - |
| CURRENT ASSETS | | | |
| Trade and bills receivables | 10 | 5,888,161 | 3,426,251 |
| Prepayments | | 5,451 | - |
| Cash and cash equivalents | | 1,333,578 | 19,129 |
| Total current assets | | 7,227,190 | 3,445,380 |
| CURRENT LIABILITIES | | | |
| Trade payables | | 2,007,001 | 128,742 |
| Other payables and accruals | 11 | 2,370,209 | 74,457 |
| Due to the immediate holding company | 13(b) | 539,717 | 2,959,411 |
| Due to an intermediate holding company | 13(b) | 198,779 | - |
| Due to a fellow subsidiary | 13(b) | 155,296 | - |
| Tax payable | | - | 46,475 |
| Total current liabilities | | 5,271,002 | 3,209,085 |
| NET CURRENT ASSETS | | 1,956,188 | 236,295 |
| Net assets | | 1,966,647 | 236,295 |
| EQUITY | | | |
| Share capital | 12 | 77,800 | 77,800 |
| Retained profits | | 1,888,847 | 158,495 |
| Total equity | | 1,966,647 | 236,295 |

Pallak Seth
Director

Deepak Kumar Seth
Director

STYLEBERRY LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Note | Share capital HK$ | Retained profits HK$ | Total equity HK$ |
|---|---|---|---|---|
| Issue of shares upon incorporation | 12 | 77,800 | - | 77,800 |
| Profit and total comprehensive income for the period | | - | 158,495 | 158,495 |
| At 31 March 2017 and at 1 April 2017 | | 77,800 | 158,495 | 236,295 |
| Profit and total comprehensive income for the year | | - | 1,730,352 | 1,730,352 |
| At 31 March 2018 | | 77,800 | 1,888,847 | 1,966,647 |

STYLEBERRY LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | Year ended to 31 March 2018 HK$ | Period from 13 September 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 1,683,877 | 204,970 |
| Adjustment for: | | | |
| Depreciation | 5 | 4,601 | - |
| Finance costs | 6 | 131,669 | 30,539 |
| | | 1,820,147 | 235,509 |
| Increase in trade and bills receivables | | (2,461,910) | (3,426,251) |
| Increase in prepayments | | ( 5,451) | - |
| Increase in trade payables | | 1,878,259 | 128,742 |
| Increase in other payables and accruals | | 2,295,752 | 74,457 |
| (Decrease)/increase in an amount due to the immediate holding company | | (2,419,694) | 2,959,411 |
| Increase in an amount due to an intermediate holding company | | 198,779 | - |
| Increase in an amount due to a fellow subsidiary | | 155,296 | - |
| Cash generated from/(used in) operations | | 1,461,178 | ( 28,132) |
| Interest paid | | ( 131,669) | ( 30,539) |
| Net cash flows from/(used in) operating activities | | 1,329,509 | ( 58,671) |
| CASH FLOW USED IN AN INVESTING ACTIVITY | | | |
| Purchases of items of property, plant and equipment | | ( 15,060) | - |
| CASH FLOW FROM A FINANCING ACTIVITY | | | |
| Proceeds from issue of shares | | - | 77,800 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 1,314,449 | 19,129 |
| Cash and cash equivalents at beginning of year/period | | 19,129 | - |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD | | 1,333,578 | 19,129 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 1,333,578 | 19,129 |

## 1. CORPORATE INFORMATION

Styleberry Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Hong Kong.

During the year, the Company was engaged in the trading of garments.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, is the Company's ultimate holding company.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$").

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[2] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRSs[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Company is in the process of making an assessment of the impact of the revised HKFRSs upon initial application but not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's financial performance and financial position.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rate used for office equipment is 33%.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

*Initial recognition and measurement*

Financial assets of the Company are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Foreign currency transactions

The Company's functional currency is US$, which is different from its presentation currency. These financial statements are presented in HK$ as the Company is incorporated and operates in Hong Kong and, in the opinion of the directors, the financial statements are more suitable to be presented in HK$. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss are recognised in profit or loss is also recognised in profit or loss).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgement apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgement (continued)

*Determination of functional currency*

In determining the functional currency of the Company, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the Company is determined based on management's assessment of the economic environment in which the Company operates and the Company's process of determining sales prices. Management has assessed that prices are mainly denominated and settled in US$ and therefore, management concluded that the functional currency of the Company is US$.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

*Impairment of loans and receivables*

The Company assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Company considers factors including, inter alia, the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments as well as other arrangements and available information.

## 4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold.

An analysis of the Company's other income and gains is as follows:

| | Year ended 31 March 2018 HK$ | Period from 13 September 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|
| Foreign exchange differences, net | 81,347 | - |
| Recovery of fees from customers | 37,358 | - |
| Penalty on suppliers | 30,368 | - |
| Testing charges | 6,224 | - |
| | 155,297 | - |

## 5. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

| | Year ended 31 March 2018 HK$ | Period from 13 September 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|
| Cost of inventories sold | 20,899,115 | 3,260,259 |
| Auditor's remuneration | 20,000 | 15,000 |
| Depreciation | 4,601 | - |
| Foreign exchange differences, net | ( 81,347) | 555 |

## 6. FINANCE COSTS

Finance costs represent interest on letters of credit.

## 7. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the current year (Period ended 31 March 2017: Nil).

## 8. INCOME TAX

No provision for Hong Kong profits tax has need provided for the year as the Company did not generate any assessable profits arising in Hong Kong during the year.

In the prior year, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the prior year.

A reconciliation of the tax charge applicable to profit before tax at the Hong Kong statutory tax rate to the tax charge at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

| | Year ended 31 March 2018 HK$ | % | Period from 13 September 2016 (date of incorporation) 31 March 2017 HK$ | % |
|---|---|---|---|---|
| Profit before tax | 1,683,877 | | 204,970 | |
| Tax at the statutory tax rate of 16.5% (Period ended 31 March 2017: 16.5%) | 277,839 | 16.5 | 33,820 | 16.5 |
| Adjustment in respect of current tax of previous period | ( 46,475) | ( 2.8) | - | - |
| Income not subject to tax | ( 481,542) | ( 28.6) | - | - |
| Expenses not deductible for tax | 203,703 | 12.1 | 12,655 | 6.2 |
| Tax at the effective tax rate | ( 46,475) | ( 2.8) | 46,475 | 22.7 |

There was no unprovided deferred tax in respect of the year and as at the end of the reporting period (2017: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment HK$ |
|---|---|
| **31 March 2018** | |
| At 13 September 2016 (date of incorporation), 31 March 2017 and 1 April 2017, net of accumulated depreciation | - |
| Additions | 15,060 |
| Depreciation provided during the year | ( 4,601) |
| At 31 March 2018, net of accumulated depreciation | 10,459 |
| At 31 March 2018: | |
| Cost | 15,060 |
| Accumulated depreciation | ( 4,601) |
| Net carrying amount | 10,459 |

## 10. TRADE AND BILLS RECEIVABLES

| | 2018 HK$ | 2017 HK$ |
|---|---|---|
| Trade receivables | 5,625,228 | 3,261,355 |
| Bills receivables | 262,933 | 164,896 |
| | 5,888,161 | 3,426,251 |

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days, extending up to 90 days for major customers. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

10. TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Neither past due nor impaired | 5,812,894 | 3,314,300 |
| Past due but not impaired: | | |
| Less than one month | 42,683 | 79,367 |
| One to three months | - | 32,584 |
| Over three months | 32,584 | - |
| | 5,888,161 | 3,426,251 |

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have had a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. OTHER PAYABLES AND ACCRUALS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Accruals | 132,627 | 15,000 |
| Receipts in advance | 2,237,582 | 59,457 |
| | 2,370,209 | 74,457 |

12. SHARE CAPITAL

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Issued and fully paid: | | |
| 10,000 ordinary shares | 77,800 | 77,800 |

On date of incorporation on 13 September 2016, 10,000 ordinary shares were issued at 1 United States dollar ("US$") each to the subscribers which resulted in proceeds of US$10,000 (equivalent to HK$77,800).

## 13. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Intermediate holding company: | | | |
| Management fees paid | (i) | 183,219 | - |
| Immediate holding company: | | | |
| Compliance fees paid | (ii) | 200,825 | - |
| Administrative expenses | (iii) | 103,163 | - |
| Commissions paid | (iv) | 18,588 | - |

Notes:

(i) The management fees paid were charged based on terms mutually agreed between the Company and an intermediate holding company.

(ii) The compliance fees paid were charged by the immediate holding company based on terms mutually agreed between the Company and the immediate holding company.

(iii) The administrative expenses were charged by the immediate holding company based on terms mutually agreed between the Company and the immediate holding company.

(iv) The commissions paid were in relation to sourcing services rendered by the immediate holding company, and were charged at terms mutually agreed between the Company and the immediate holding company.

(b) Outstanding balances with related parties

The amounts due to the immediate holding company and an intermediate holding company are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 7 to the financial statements.

## 14. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade and bills receivables and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Company comprise trade payables, financial liabilities included in other payables and accruals and amount due to affiliates, which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

## 15. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities reasonably approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade and bills receivables, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, and amounts due to affiliates approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at 31 March 2018 (31 March 2017: Nil).

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

*Credit risk*

The carrying amounts of cash and cash equivalents and trade and bills receivables represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. The maximum exposure for trade and bills receivables is the carrying amount as disclosed in note 10 to the financial statements. At the end of the reporting period, the Company had a concentration of credit risk as approximately 55% (Period ended 31 March 2017: 94%) of the Company's trade and bills receivables were due from the Company's top customer.

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk*
In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

*Capital management*
The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to its shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2018 and the period from 13 September 2016 (date of incorporation) to 31 March 2017.

## 17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2018.

# TECHNO DESIGN HK LIMITED

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

**LOUIS LAI & LUK CPA LIMITED**
**CERTIFIED PUBLIC ACCOUNTANTS**

# TECHNO DESIGN HK LIMITED

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# TECHNO DESIGN HK LIMITED

## REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited financial statements of the Company for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the financial statement of profit or loss and comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (18) to the financial statements. There were no movements during the year.

There were no movements in reserves except for changes to accumulated losses which arose from profit or loss.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in the Note (11) to the financial statements.

### DIRECTORS

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

Birthe SIEMERS
Deepak Kumar SETH
Pallak SETH
Rajive RANJAN
Ajai SINGH

In accordance with Article 7 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transactions as disclosed in Note (20) to the financial statements, no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company 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.

## 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.

## PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company and holding company (whether made by the Company or otherwise) or an associated company (if made by the Company).

## BUSINESS REVIEW

The Company falls within reporting exemption for the financial year. Accordingly, the Company is exempted from preparing a business review.

## AUDITORS

The Company's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and being eligible, offer themselves for re-appointment.

On behalf of the Board

Deepak Kumar SETH
Chairman

Hong Kong, May 18, 2018.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECHNO DESIGN HK LIMITED (incorporated in Hong Kong with limited liability)

## Opinion

We have audited the financial statements of Techno Design HK Limited ("the Company") set out on pages 7 to 27, which comprise the statement of financial position as at March 31, 2018 and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating to the Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the ultimate holding company and the attaining of profitable and positive cash flow operations, and the Company may turn to a commercially viable concern. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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瑞信集團大廈九樓



**Information Other than the Financial Statements and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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柯士甸道140至142號
瑞信集團大廈九樓



**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

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**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, 18 MAY 2018

# TECHNO DESIGN HK LIMITED

## STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

### FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 23,802,407 | 58,693,259 |
| COST OF SLAES | | (23,638,662) | (56,244,234) |
| GROSS PROFIT | | 163,745 | 2,449,025 |
| OTHER INCOME AND GAINS | (6) | 4,781,807 | 2,653,259 |
| DEPRECIATION | | ( 100,317) | ( 43,172) |
| OTHER OPERATING EXPENSES | | ( 5,383,870) | ( 7,200,368) |
| LOSS FROM OPERATIONS | | ( 538,635) | ( 2,141,256) |
| FINANCE COSTS | (7) | ( 293,263) | ( 107,850) |
| LOSS BEFORE TAXATION | (8) | ( 831,898) | ( 2,249,106) |
| TAXATION | (10) | - | - |
| LOSS FOR THE YEAR | | ( 831,898) | ( 2,249,106) |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | ( 831,898) | ( 2,249,106) |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# TECHNO DESIGN HK LIMITED

## STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Non-Current Assets | | | |
| Plant and equipment | (11) | 234,112 | 202,377 |
| Current Assets | | | |
| Inventories | (12) | 650,605 | 1,841,109 |
| Amounts due from fellow subsidiaries | (13) | 21,927,177 | 26,350,857 |
| Trade and other receivables | (14) | 13,709,164 | 6,051,863 |
| Cash and cash equivalents | | 182,552 | 4,364,518 |
| | | 36,469,498 | 38,608,347 |
| Current Liabilities | | | |
| Amount due to immediate holding company | (15) | 88,879 | 3,151,624 |
| Amounts due to fellow subsidiaries | (15) | 21,564,179 | 17,041,333 |
| Amount due to a director | (15) | 536,509 | 4,570,679 |
| Trade and other payables | (16) | 6,899,867 | 9,661,052 |
| Secured bank borrowings | (17) | 10,163,499 | 6,103,461 |
| | | 39,252,933 | 40,528,149 |
| Net Current Liabilities | | ( 2,783,435) | ( 1,919,802) |
| NET LIABILITIES | | ( 2,549,323) | ( 1,717,425) |
| DEFICIT | | | |
| Share capital | (18) | 778,000 | 778,000 |
| Accumulated losses | | ( 3,327,323) | ( 2,495,425) |
| TOTAL DEFICIT | | ( 2,549,323) | ( 1,717,425) |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 18, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Rajive RANJAN
Director

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# TECHNO DESIGN HK LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Accumulated Losses | Total |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| At April 1, 2016 | 778,000 | ( 246,319) | 531,681 |
| Loss for the year and total comprehensive loss for the year | - | (2,249,106) | (2,249,106) |
| At March 31, 2017 and April 1, 2017 | 778,000 | (2,495,425) | (1,717,425) |
| Loss for the year and total comprehensive loss for the year | - | ( 831,898) | ( 831,898) |
| At March 31, 2018 | 778,000 | (3,327,323) | (2,549,323) |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# TECHNO DESIGN HK LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | ( 831,898) | ( 2,249,106) |
| Adjustment for | | |
| Bank interest income | - | ( 18) |
| Other interest | 293,263 | 107,850 |
| Depreciation | 100,317 | 43,172 |
| **OPERATING LOSS BEFORE WORKING CAPITAL CHANGES** | ( 438,318) | ( 2,098,102) |
| Decrease in inventories | 1,190,504 | 7,601,505 |
| Decrease in amounts due from fellow subsidiaries | 4,423,680 | (13,895,747) |
| (Increase)/Decrease in trade and other receivables | (7,657,301) | 864,955 |
| (Decrease)/Increase in amount due to immediate holding company | (3,062,745) | 3,114,210 |
| Increase in amounts due to fellow subsidiaries | 4,522,846 | 9,419,086 |
| (Decrease)/Increase in amount due to a director | (4,034,170) | 1,831,101 |
| Decrease in trade and other payables | (2,761,185) | ( 2,738,406) |
| **CASH (USED IN)/GENERATED FROM OPERATIONS** | (7,816,689) | 4,098,602 |
| Bank interest received | - | 18 |
| Other interest paid | ( 293,263) | ( 107,850) |
| Net cash (used in)/generated from operating activities | (8,109,952) | 3,990,770 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payment to acquire plant and equipment and net cash used in investing activities | ( 132,052) | ( 194,073) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from bank borrowings and net cash generated from financing activities | 4,060,038 | 447,926 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | (4,181,966) | 4,244,623 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 4,364,518 | 119,895 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 182,552 | 4,364,518 |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# TECHNO DESIGN HK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Techno Design HK Limited (Formerly Known DPOD Manufacturing Limited) is a company incorporated in Hong Kong with limited liability. Its principal activity is garment trading. The address of its registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the immediate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius. The ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India and its shares are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no material impact on the Company's financial statements for the year ended March 31, 2018.

c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Company has not early applied any new and revised HKFRSs that have been issued but are not year effective for the accounting year ended March 31, 2018, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Going Concern

The immediate holding company, directors and fellow subsidiaries have confirmed the willingness to provide such financial assistance as is necessary to maintain the Company as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

e. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

| | |
|---|---|
| Computer equipment | 3 years |
| Furniture & fixtures | 4 years |
| Leasehold improvement | 4 years |
| Office equipment | 3 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the statement of profit or loss and comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the financial statements and any resulting gain or loss is included in the statement of profit or loss and comprehensive income.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Inventories

Inventories are stated at the lower of cost and net realisbale value.

Cost of raw materials is arrived at by reference to the suppliers' invoiced cost and is in general assigned to individual items on the first-in, first-out basis.

Net realizable value is based on estimated selling prices less any further costs expected to be incurred. When inventories are sold, the carrying amount of those inventories is recognised as an expenses in the year in which the related revenue is recognised.

h. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

i. Financial Assets

Financial assets of the Company are only classified under loans and receivables category.

j. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of profit or loss and comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

k. Financial Liabilities

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's financial liabilities comprise trade and other payables, and amounts due to fellow subsidiaries and a director, which are subsequently measured at amortized cost, using the effective interest method.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

l. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

n. Translation of Foreign Currency

(i) 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 entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss and comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Statement of profit or loss and comprehensive income.

p. Turnover

Turnover represents invoiced amount of sales less discount and returns.

q. Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when good are delivered to buyers.
- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Commission income and consultancy income are recognised when services are rendered.
- Sundry income is recognised on a receipt basis.

r. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

s. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Company's policy for borrowing cost as stated in the preceding note.

t. Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the statement of profit or loss and comprehensive income on a straight-line basis over the term of the relevant lease.

u. Related Parties

A related party is a person or entity that is related to the Company.

(A) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Company or a parent of the Company.

(B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

v. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

(i) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Company's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Company comprise trade and other receivables, amounts due from fellow subsidiaries and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statements of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise trade and other payables, amounts due to fellow subsidiaries, immediate holding company and a director, and secured bank borrowings which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

### (ii) Financial risk management

The Company's financial risks are limited by the financial management policies and practices described below.

#### (a) Credit risk

The Company has no significant concentrations of credit risk because the creditworthiness of each of the Company's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Company is adequately protected from the credit risk.

#### (b) Liquidity risk

As the immediate holding company and fellow subsidiaries have confirmed its willingness to provide continuous financial support to the Company, the management is of the opinion that the Company is adequately protected from the liquidity risk.

#### (c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

As the immediate holding company and fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal values of current assets and liabilities are assumed to approximate their fair values.

## 6. REVENUE AND OTHER INCOME

| | 2018 | 2017 |
|---|---|---|
| Revenue recognised during the year including revenue arising from: | HK$ | HK$ |
| Revenue: | | |
| Sales of goods | 23,802,407 | 58,693,259 |
| Other income: | | |
| Bank interest income | - | 18 |
| Commission income | 2,486,630 | 2,449,777 |
| Consultancy income | 1,899,542 | - |
| Sundry income | 395,635 | 203,464 |
| | 4,781,807 | 2,653,259 |
| Total revenue recognised | 28,584,214 | 61,346,518 |

## 7. FINANCE COSTS

| | | |
|---|---|---|
| Other interest | 293,263 | 107,850 |

## 8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting):

| | | |
|---|---|---|
| Auditor's remuneration | 31,067 | 29,588 |
| Depreciation | 100,317 | 43,172 |
| Exchange (gain)/loss , net | ( 52,605) | 19,347 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | - | - |
| Retirement benefits | - | - |
| | - | - |

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

| | Outstanding principal | | |
|---|---|---|---|
| Name of borrower | At beginning of year | At end of year | Maximum outstanding |
| | HK$ | HK$ | HK$ |
| Techno Manufacturing Ltd. [1] | 7,764,711 | 7,764,711 | 7,764,711 |
| Techno Design GMBH [1] | 18,586,146 | 13,812,366 | 18,586,146 |
| Green Apparel Industries Limited [1] | - | 350,100 | 350,100 |
| | 26,350,857 | 21,927,177 | |

[1] Fellow subsidiary, connected with Pallak SETH and Deepak Kumar SETH.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director.

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(iii) Material interests of directors (including shadow directors) of the Company disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

10. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the income of the Company neither arises in nor is derived from Hong Kong.

No deferred tax has been recognised in the financial statements on the grounds that the Company has no taxable/deductible temporary differences during the current year.

11. PLANT AND EQUIPMENT

| | Leasehold Improvement | Furniture & Fixtures | Computer Equipment | Office Equipment | Total |
|---|---|---|---|---|---|
| Cost | HK$ | HK$ | HK$ | HK$ | HK$ |
| At 1/4/2017 | 85,487 | 10,362 | 59,905 | 139,496 | 295,250 |
| Additions | 126,750 | - | 5,302 | - | 132,052 |
| At 31/3/2018 | 212,237 | 10,362 | 65,207 | 139,496 | 427,302 |
| Accumulated Depreciation | | | | | |
| At 1/4/2017 | 3,562 | 432 | 10,343 | 78,536 | 92,873 |
| Charge for the year | 47,763 | 2,590 | 20,556 | 29,408 | 100,317 |
| At 31/3/2018 | 51,325 | 3,022 | 30,899 | 107,944 | 193,190 |
| Net Carrying Amount | | | | | |
| At 31/3/2018 | 160,912 | 7,340 | 34,308 | 31,552 | 234,112 |
| At 31/3/2017 | 81,925 | 9,930 | 49,562 | 60,960 | 202,377 |

12. INVENTORIES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Raw materials | 650,605 | 1,841,109 |

13. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are interest free, unsecured and have no fixed repayment terms. No provisions for bad and doubtful debts have been recognised on the amounts due from fellow subsidiaries. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

14. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade receivables (Note (i)) | 8,105,960 | 2,747,214 |
| Trade deposit paid and other receivable | 5,603,204 | 3,304,649 |
| | 13,709,164 | 6,051,863 |

(i) Aging analysis of trade receivables is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 6,135,875 | 768,464 |
| Past due but not impaired | 1,970,085 | 1,978,750 |
| | 8,105,960 | 2,747,214 |

15. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/A DIRECTOR

The amounts due to immediate holding company/fellow subsidiaries/director are interest free, unsecured and have no fixed repayment terms. The immediate holding company/fellow subsidiaries and director had agreed not to demand repayment until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

16. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade payables (Note (i)) | 3,855,923 | 6,178,692 |
| Trade deposit received and other payable | 3,043,944 | 3,482,360 |
| | 6,899,867 | 9,661,052 |

(i) Maturity of the trade payables is as follows:

| | | |
|---|---|---|
| Due for payment: | | |
| Not later than one year | 1,506,212 | 4,319,730 |
| Past due more than one year | 2,349,711 | 1,858,962 |
| | 3,855,923 | 6,178,692 |

17. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Amount repayable within one year: | | |
| Clean import loan | 5,086,474 | - |
| Discounted bills loan | 3,550,676 | 569,854 |
| Trust receipt loan | 1,526,349 | 5,533,607 |
| | 10,163,499 | 6,103,461 |

18. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Issued and fully paid: Ordinary shares of US$1 each | | | | |
| At March 31 | 100,000 | 778,000 | 100,000 | 778,000 |

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

## 19. CURRENCY RISK

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Company manages currency risks, when it is considered significant, by enter into appropriate currency forward contracts.

(i) Exposure to currency risk

The following table details the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong Dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HKD) 2018 | | |
|---|---|---|---|
| | EUR | USD | GBP |
| Trade and other receivable | - | 13,709,164 | - |
| Trade and other payable | - | ( 6,899,867) | - |
| Secured bank borrowings | - | (10,163,499) | - |
| Cash and cash equivalents | 29,034 | 139,397 | 6,689 |
| Net exposure arising from recognised assets and liabilities | 29,034 | ( 3,214,805) | 6,689 |

| | (Expressed in HKD) 2017 | | |
|---|---|---|---|
| | EUR | USD | GBP |
| Trade and other receivable | - | 6,916,818 | - |
| Trade and other payable | - | (9,653,364) | - |
| Bills payable | (448,379) | (5,655,081) | - |
| Cash and cash equivalents | 917,237 | 3,405,002 | 5,976 |
| Net exposure arising from recognised assets and liabilities | 468,858 | (4,986,625) | 5,976 |

19. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Company's profit after tax in response to reasonably possible changes (e.g. ± 10%) in the foreign exchange rates to which the Company has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| Euro Dollars (EUR) | 2,424 | (2,424) | 39,150 | (39,150) |
| British Pounds (GBP) | 559 | ( 559) | 499 | ( 499) |
| United States Dollars (USD) | - | - | - | - |
| | 2,983 | 2,983 | 39,649 | (39,649) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Company's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

## 20. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

| Name | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| Norwest Industries Ltd., Hong Kong | Fellow subsidiary | - Recharge expenses | 1,925,056 | 879,786 |
| | | - Commission expenses | 96,520 | - |
| Poeticgem Ltd., UK | Fellow subsidiary | - Recharge expenses | - | 11,396 |
| Nor Lanka Manufacturing Ltd., Hong Kong | Fellow subsidiary | - Recharge expenses | 884,199 | 1,251,519 |
| | | - Sales | - | 200,094 |
| Nor Lanka Manufacturing Colombo Ltd., Sri Lanka | Fellow subsidiary | - Recharge expenses | 288,934 | - |
| PDS Asia Star Corporation Ltd., Hong Kong | Fellow subsidiary | - Recharge expenses | 210,060 | 281,158 |
| | | - Commission expenses | 14,801 | - |
| Poeticgem International Ltd., Hong Kong | Fellow subsidiary | - Recharge expenses | 309,025 | 998,273 |
| Techno Design GmbH, Germany | Fellow subsidiary | - Sales | - | 34,992,324 |
| | | - Commission income | 2,359,007 | - |
| | | - Commission expenses | 459,036 | - |
| Souring Solutions Limited | Related company | - Commission expenses | 128,416 | - |
| Multinational Textile Group Ltd., Mauritius | Immediate holding company | - Recharge expenses | 46,680 | 272,169 |
| | | - Management fees | 308,834 | - |
| Rajive RANJAN | Director | - Consultancy fees | 1,711,599 | 1,711,599 |
| Birthe SIEMERS | Director | - Consultancy fees | 137,239 | 137,239 |

21. INTEREST RATE RISK

| Financial liabilities bearing variable interests: | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Clean import loans | 5,086,474 | - |
| Discounted bills loans | 3,550,676 | 569,854 |
| Trust receipts loans | 1,526,349 | 5,533,607 |
| | 10,163,499 | 6,103,461 |

Should market interest rate on March 31 increase by 100 basic point, the profit or loss for the year would be reduced by a net amount of HK$101,635 (2017: HK$61,035). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

22. BANKING FACILITIES

General banking facilities granted by a bank were secured by fellow subsidiaries cash deposit, immediate holding company's corporate guarantee and directors' personal guarantee.

23. CONTINGENT LIABILITIES

(a) The Company had the following contingent liabilities not provided for in the financial statements at the end of reporting period:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Irrevocable letters of credit | 182,837 | 4,334,860 |

(b) At the end of reporting period, there were mutual guarantees between the Company and its fellow subsidiary.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Director on May 18, 2018.

# TECHNO DESIGN HK LIMITED

## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 23,802,407 | 58,693,259 |
| COST OF SALES | | |
| Opening inventories | 1,841,109 | 9,442,614 |
| Purchases | 19,301,987 | 43,726,991 |
| Subcontracting charges | 3,146,171 | 4,915,738 |
| Less: Closing inventories | ( 650,605) | ( 1,841,109) |
| | 23,638,662 | 56,244,234 |
| GROSS PROFIT | 163,745 | 2,449,025 |
| OTHER INCOME | | |
| Bank interest income | - | 18 |
| Commission income | 2,486,630 | 2,449,777 |
| Consultancy income | 1,899,542 | - |
| Sundry income | 395,635 | 203,464 |
| | 4,781,807 | 2,653,259 |
| | 4,945,552 | 5,102,284 |
| OPERATING EXPENSES (SCH II) | 5,777,450 | 7,351,390 |
| LOSS BEFORE TAXATION | ( 831,898) | ( 2,249,106) |

# TECHNO DESIGN HK LIMITED

## DETAILED INCOME STATEMENT (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

SCH II

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| OPERATING EXPENSES | | |
| Depreciation Expenses | | |
| Depreciation | 100,317 | 43,172 |
| Finance Costs | | |
| Other interest | 293,263 | 107,850 |
| Other Operating Expenses | | |
| Auditor's remuneration | 31,067 | 29,588 |
| Bank charges | 163,370 | 240,424 |
| Business registration fee | 2,250 | 250 |
| Commission | 723,098 | 304,712 |
| Compliance expenses | 29,025 | - |
| Computer expenses | - | 12,921 |
| Consultancy fees | 130,813 | 2,093,909 |
| Courier charges | 297,280 | 264,396 |
| Entertainment expense | - | 723 |
| Exchange (gain)/loss, net | ( 52,605) | 19,347 |
| Internal audit fee | - | 24,406 |
| Legal and professional fees | 3,945 | 8,015 |
| Local travelling | 29,201 | 50,843 |
| Management fees | 308,835 | 272,169 |
| Office supplies | 18 | 3,625 |
| Overseas travelling | 31,304 | 349,523 |
| Penalty from customer | - | 37,815 |
| Printing and stationery | 2,443 | 2,073 |
| Recharge expenses | 3,663,954 | 3,422,131 |
| Recruitment expenses | 3,166 | - |
| Sample expenses | - | 48,967 |
| Storage charges | - | 9,460 |
| Telecommunication | 4,745 | 3,017 |
| Testing charges | 11,961 | 2,054 |
| | 5,383,870 | 7,200,368 |
| | 5,777,450 | 7,351,390 |

File No. 05/60559853

# TECHNO DESIGN HK LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

SCH 1

| | HK$ |
|---|---|
| Basis period: 1/4/2017 to 31/3/2018 | |
| Loss per audited financial statements | 831,478 |

The Company is an exporter of garment and conducts its business outside of Hong Kong. It is our view that the operations for which the profits of the Company accrues were conducted outside of Hong Kong and its profits were therefore not chargeable to tax under Section 14 of the Inland Revenue Ordinance.

# Independent Auditor's Report and Audited Financial Statements of Grupo Sourcing Limited For the year ended on 31 March, 2018

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**Independent Auditor's Report along with Audited Financial Statements**

For the year ended on 31 March, 2018

# Mak & Co.
Chartered Accountants

## *INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS* OF GRUPO SOURCING LIMITED

We have audited the accompanying financial statements of **"Group Sourcing Limited",** which comprise the Statement of Financial Position as of 31 March, 2018, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended and a summary of significant accounting policies and relevant explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies mentioned in notes to the financial statements, the Companies Act, 1994 and other applicable laws & regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respect, the financial position of **"Grupo Sourcing Limited"** as of 31 March, 2018 and its financial performance and its cash flows for the period then ended in accordance with accounting policies mentioned in notes to the financial statements and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) in our opinion, proper books of account as required by law have been kept by the entity so far as it appeared from our examination of those books;

(c) The Company's Statement of Financial Position and Statement of Changes in Equity dealt with by the report are in agreement with the books of account and returns.

mak & co.

**Mak & Co.**
Chartered Accountants

Dhaka, 24 April 2018

Grupo Sourcing Limited
Statement of Financial Position (Balance Sheet)
As at March 31, 2018

| Particulars | Notes | (Amount in Taka) 31.03.2018 | 31.03.2017 |
|---|---|---|---|
| Property & Assets | | | |
| *Non-current assets* | | **2,772,450** | **3,853,792** |
| Property, plant & equipment - net | 4 | 2,772,450 | 3,807,750 |
| Intangible asset | 5 | - | 46,042 |
| *Current assets* | | **88,137,990** | **12,657,034** |
| Advance, deposit & prepayments | 6 | 352,093 | 130,000 |
| Advance Income tax | | 423,295 | - |
| Accounts Receivable | 7 | 84,602,230 | 10,411,075 |
| Defearred tax | 18 | 448,197 | - |
| Cash and bank balance | 8 | 2,312,175 | 2,115,959 |
| **Total assets:** | | **90,910,440** | **16,510,826** |
| Liabilities & Shareholders' Equity | | | |
| *Current liabilities* | | | |
| Credits for expenses | 9 | 60,216,297 | 104,751 |
| Credits for other Finance | 10 | 1,225,160 | 162,530 |
| Loan from holding company | | 7,850,000 | - |
| Provision for expenses | 11 | 147,796 | 121,700 |
| Provision for Income Tax expenses | 12 | 1,031,176 | 77,097 |
| | | **70,470,429** | **466,078** |
| *Shareholders' Equity* | | | |
| Share Capital | 13 | 13,767,900 | 13,767,900 |
| Share money deposit | | 9,873,533 | 7,837,500 |
| Retained profit | | (3,201,422) | (5,560,652) |
| | | **20,440,011** | **16,044,748** |
| **Total equity and liabilities:** | | **90,910,440** | **16,510,826** |

*The annexed notes (1-18) form an integral part of these financial statements.*

Managing Director

Director

*Signed as per our annexed report of even date.*

Mak & Co.
Chartered Accountants

Dated: Dhaka;
2018, April 24

## Grupo Sourcing Limited
## Statement of Comprehensive Income (Income Statement)
## For the year ended on 31 March, 2018

| Particulars | Notes | (Amount in Taka) | |
|---|---|---|---|
| | | 2017-18 | 2016-17 |
| Turnover | 14 | 97,955,948 | 14,258,877 |
| Less: Cost of goods sold | 15 | 74,636,833 | 1,456,647 |
| **Gross profit:** | | **23,319,115** | **12,802,230** |
| **Less: Operating expenses:** | | | |
| Administrative expenses | 16 | 20,395,117 | 18,333,106 |
| **Profit from operation:** | | **2,923,998** | **(5,530,876)** |
| Other income | 17 | 22,219 | 47,321 |
| **Profit before Interest & Taxes:** | | **2,946,217** | **(5,483,555)** |
| Less: Financial expenses | | - | - |
| **Profit before Income Tax:** | | **2,946,217** | **(5,483,555)** |
| Less: Income tax expenses | | 1,035,184 | 77,097 |
| Add: Deferred Tax Income | 18 | 448,197 | - |
| **Net Profit:** | | 2,359,230 | (5,560,652) |
| Add: Other comprehensive income | | - | - |
| **Total comprehensive income** | | **2,359,230** | **(5,560,652)** |

*The annexed notes (1-18) form an integral part of these financial statements.*

Managing Director

Director

*Signed as per our annexed report of even date.*

Dated: Dhaka;
2018, April 24

Mak & Co.
Chartered Accountants

Grupo Sourcing Limited
Statement of Changes in Equity
For the year ended on 31 March, 2018

(Amount in Taka)

| Particulars | Paid up Capital | Share Money Deposit | Retained Earnings | Total Equity |
|---|---|---|---|---|
| Balance b/f | 13,767,900 | 7,837,500 | (5,560,652) | 16,044,748 |
| Addition during the year | | 2,036,033 | | 2,036,033 |
| Profit (Loss) for the Period | - | - | 2,359,230 | 2,359,230 |
| **Balance as at 31 March, 2018** | 13,767,900 | 9,873,533 | (3,201,422) | 20,440,011 |
| **Balance as at 31 March, 2017** | 13,767,900 | 7,837,500 | (5,560,652) | 16,044,748 |

*The annexed notes (1-18) form an integral part of these financial statements.*

Managing Director

Director

Grupo Sourcing Limited
Statement of Cash Flows
For the year ended on 31 March, 2018

| Particulars | Notes | (Amount in Taka) 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Cash received form customer | | 23,764,793 | 3,847,802 |
| Cash receive from bank interest | | 22,219 | |
| Cash paid to supplier and employee | | (32,316,969) | (18,190,160) |
| Paid as Advance, Deposit and Prepayment | | (222,093) | - |
| Paid to Government Treasury | | (504,400) | - |
| **Net cash used in operating activities (A):** | | **(9,256,450)** | **(14,342,358)** |
| **Cash flows from investing activities:** | | | |
| Purchase of fixed assets for the period | | (433,367) | (4,962,945) |
| Purchase of intangible assets for the period | | - | (184,137) |
| **Net cash used in investing activities (B):** | | **(433,367)** | **(5,147,082)** |
| **Cash flows from financing activities:** | | | |
| Paid up capital | | - | 13,767,900 |
| Share Money Deposit | | 2,036,033 | 7,837,500 |
| Loan from holding company | | 7,850,000 | - |
| **Net cash generated from financing activities (C):** | | **9,886,033** | **21,605,400** |
| **Net increase (decrease) in cash and cash equivalents during the year (A+B+C):** | | **196,216** | **2,115,959** |
| Cash and cash equivalent at the beginning of the period | | 2,115,959 | - |
| **Cash and cash equivalent at the ending of the period*** | | **2,312,175** | **2,115,959** |
| ***Cash and cash equivalent includes:** | | | |
| Cash in hand | 8 | 150,757 | 221,763 |
| Cash at bank | 8 | 2,161,418 | 1,894,196 |
| | | 2,312,175 | 2,115,959 |

*The annexed notes (1-18) form an integral part of these financial statements.*

Managing Director

Director

# Grupo Sourcing Limited
## Notes to the Financial Statements
## As at and for the year ended 31 March 2018

**1.00 Background of the Company**

Grupo Sourcing Ltd. is incorporated as a private limited company in Bangladesh having its register office at Dhaka, Bangladesh. The company is a subsidiary of Grupo Sourcing Limited, Hong Kong.

**1.01 Nature of Business**

The principal activities of the company are to act as trader, Supplier of goods and services including garments related activities.

**2.00 Basis of preparation of financial statements**

**2.01 Statement of Compliance**

The financial statements have been prepared incompliance with the requirements of the Companies Act 1994, and other relevant local laws as applicable and in accordance with the accounting policies mentioned in the following paragraphs.

**2.02 Regulatory Compliances**

In addition to the provision of Companies Act 1994, the management complies with the applicable provisions of following act & laws:

- The Income Tax Ordinance 1984;
- The Income Tax Rules 1984;
- The Value Added Tax Act 1991;
- The Value Added Tax Rules 1991;

**2.03 Components of the Financial Statements**

According to the International Accounting Standards (IAS)-1 as adopted by ICAB as BAS-1 "Presentation of Financial Statements" the complete set of financial statements includes the following components.

- Statement of financial position (balance sheet) as at 31 March, 2018;
- Statement of comprehensive income (Income statement) for the period ended on 31 March, 2018;
- Statement of changes in equity for the period ended on 31 March, 2018;
- Statement of cash flows for the period ended on 31 March, 2018; and
- Accounting policies and other explanatory notes for the period ended on 31 March, 2018.

**2.04 Measurement Bases used in preparing the Financial Statements**

The financial statements have been prepared on the historical cost basis, and therefore, do not take into consideration the effect of inflation. The accounting policies, unless otherwise stated, have been consistently applied by the company and are consistent with those of the previous year.

**2.05 Reporting Currency and Level of Precision**

The financial statements are presented in Bangladeshi currency (Taka), which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest Taka.

**2.06 Preparation and Presentation of Financial Statements of the Company**

The Board of Directors of the company is responsible for the preparation and presentation of financial statements of Grupo Sourcing Ltd.

**2.07 Use of Estimates and Judgments**

The preparation of these financial statements, required management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**2.08 Reporting Period**

This financial statement of the company covers period from 1 April, 2017 to 31 March, 2018.

**2.09 Cash Flow Statement**

Statement of cash flows is prepared in accordance with "BAS 7: Cash Flow Statement" and the cash flows from operating activities have been presented under direct Method.

**2.10 Recognition of PPE:**

Property, Plant and Equipment (PPE) under construction/acquisition is measured at cost & no depreciation was charged as per provision of 'BAS-16: Property, Plant and Equipment'.

**2.11 Depreciation:**

Depreciation has been charged on straight-line method on all property, plant and equipment. Full month's depreciation is charged for the month of acquisition irrespective of the date of acquisition and no depreciation is charged for the month of disposal. The rates of depreciation and category of property, plant and equipment are as follows:

| Asset Type | Rate |
|---|---|
| Furniture and Fixtures | 25% |
| Office Equipment | 33.33% |
| Computer Equipment | 33.33% |

**2.12 Revenue Recognition**

The company recognized revenue when risk of ownership has been transferred to the buyer, which satisfied all the condition for the revenue recognition as provided in BAS 18 "Revenue Recognition".

**2.13 Provisions**

As per "BAS 37: Provisions, Contingent Liabilities and Contingent Assets' a provision recognized on the date of statement of financial position if, as a result of past even Company has a present obligation that can be estimated reliably, and it is probable the outflow of economic benefits will be required to settle the obligation.

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

**2.14 Contingencies**

Contingencies arising from claim, litigation assessment, fines, penalties etc are recorded it is probable that a liability has been incurred and the amount can be measured reliably accordance with "BAS 37: Provisions, Contingent Liabilities and Contingent Assets".

**2.15 Going Concern**

The company has adequate resources to continue its operations for foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the accounts. The resources of the company are sufficient to meet the present obligation of its existing businesses and operations.

**2.16 General**

Figures are rounded off to the nearest Taka.

## 4 Property, plant and equipment

(Amount in Taka)

| Particulars | Cost | | | | Rate | Depreciation | | | | WDV as at 31 March 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance as at 01 April 2017 | Addition during the year | Disposal during the year | Closing Balance as at 31 March 2018 | | Opening balance as at 01 April 2017 | Charged during the year | Adjustment during the year | Closing Balance as at 31 March 2018 | |
| Furniture & Fixtures | 3,120,665 | 85,150 | - | 3,205,815 | 25% | 642,734 | 793,739 | - | 1,436,473 | 1,769,342 |
| Office equipment | 853,460 | 145,060 | - | 998,520 | 33.33% | 215,519 | 413,691 | - | 629,210 | 369,310 |
| Computer | 988,820 | 203,157 | - | 1,191,977 | 33.33% | 296,942 | 261,237 | - | 558,179 | 633,798 |
| **As at March 31, 2018** | **4,962,945** | **433,367** | **-** | **5,396,312** | | **1,155,195** | **1,468,667** | **-** | **2,623,862** | **2,772,450** |
| **As at March 31, 2017** | **-** | **4,962,945** | **-** | **4,962,945** | | **-** | **1,155,195** | **-** | **1,155,195** | **3,807,750** |

| Notes | Particulars | Ref. | Amount (in Taka) | |
|---|---|---|---|---|
| | | | 31.03.2018 | 31.03.2017 |
| **5** | **Intangible assets** | | | |
| | Opening Balance | | 46,042 | - |
| | Add: License fee for MS office | | - | 184,138 |
| | | | 46,042 | **184,138** |
| | Less: Amortization | | 46,042 | 138,096 |
| | | | **-** | **46,042** |
| **6** | **Advances, deposit & prepayments** | | | |
| | Security Deposit | | 130,000 | 130,000 |
| | Advance Against Salary | | 222,093 | - |
| | | | **352,093** | **130,000** |
| **7** | **Accounts receivable** | | | |
| | Opening balance | | 10,411,075 | - |
| | Add: Addition during the year | | 97,955,948 | 14,258,877 |
| | | | **108,367,023** | **14,258,877** |
| | Less: Adjustment during the year | | 23,764,793 | 3,847,802 |
| | | | **84,602,230** | **10,411,075** |
| **7.1** | **Acconts Receivable break up** | | | |
| | Accounts receivable from other | | 81,560,112 | 10,411,075 |
| | Accounts receivable from Group | | 3,042,118 | - |
| | | | **84,602,230** | **10,411,075** |
| **7.2** | **Ageing analysis of accounts receivables (based on invoice date)** | | | |
| | Within 1 month | | 10,907,686 | 10,411,075 |
| | Over 1 month and within 3 months | | 73,694,544 | - |
| | Over 3 months and within 6 months | | - | - |
| | Over 6 months and within 12 months | | - | - |
| | Over 12 months | | - | - |
| | | | **84,602,230** | **10,411,075** |
| **8** | **Cash and cash equivalents** | | | |
| | Cash in hand | | 150,757 | 221,763 |
| | Cash at bank | | 2,161,418 | 1,894,196 |
| | | | **2,312,175** | **2,115,959** |
| **9** | **Creditor for expenses** | | | |
| | Trade payable | | 60,024,482 | 4,934 |
| | Other payable | | 191,815 | 56,778 |
| | Group payable | | - | 39,100 |
| | Employees Payable | | - | 3,939 |
| | | | **60,216,297** | **104,751** |

| Notes | Particulars | Ref. | Amount (in Taka) | |
|---|---|---|---|---|
| | | | 31.03.2018 | 31.03.2017 |
| 10 | **Creditor for other finance** | | | |
| | Vat Input/ Output tax | | 850,665 | - |
| | Withholding Tax | | 119,305 | 119,305 |
| | Withholding VAT | | 255,190 | 43,225 |
| | | | **1,225,160** | **162,530** |
| 11 | **Provision for Expenses** | | | |
| | Electricity bill | | 22,000 | 16,000 |
| | Telephone bill | | 25,000 | 18,000 |
| | Water bill | | 600 | 1,560 |
| | Gas Bill | | 800 | 780 |
| | Courier bill-International | | 20,000 | 10,000 |
| | Security Charges | | 33,396 | 30,360 |
| | Audit fee | | 46,000 | 45,000 |
| | | | **147,796** | **121,700** |
| 12 | **Provision for income tax** | | | |
| | Opening balance | | 77,097 | - |
| | Add: provision for the year | | | |
| | Provision for income tax as per law | | 1,031,176 | 77,097 |
| | Less: Adjustment during the period | | 77,097 | - |
| | | | **1,031,176** | **77,097** |
| 13 | **Share Capital** | | | |
| | **Authorized Capital:** | | **30,000,000** | **30,000,000** |
| | [3,00,000 shares of Tk. 100 each] | | | |
| | **Paid-up Capital:** | | | |

| Name of Shareholder | Qty. | Per | | |
|---|---|---|---|---|
| Grupo Sourcing Limited, Hong Kong | 137,669 | 100 | 13,766,900 | 13,766,900 |
| Zaman Uddin Ahmed | 10 | 100 | 1,000 | 1,000 |
| | **137,679** | | **13,767,900** | **13,767,900** |

| Notes | Particulars | Ref. | Amount (in Taka) | |
|---|---|---|---|---|
| | | | 31.03.2018 | 31.03.2017 |
| **14** | **Turnover** | | | |
| | Sales from service export | | 19,656,879 | 14,258,877 |
| | Sales from garments export | | 78,256,411 | - |
| | Foreign exchange gain | | 42,658 | - |
| | | | **97,955,948** | **14,258,877** |
| **15** | **Cost of goods sold** | | | |
| | Cost of Goods Sold-Garments | 15.1 | 65,675,334 | - |
| | Cost of service render | 15.2 | 8,961,499 | 1,456,647 |
| | | | **74,636,833** | **1,456,647** |
| **15.1** | **Cost of Goods Sold-Garments** | | | |
| | Marcentise Purchase | | 60,521,085 | - |
| | Trims and Other accessories | | 5,154,249 | - |
| | | | **65,675,334** | **-** |
| **15.2** | **Cost of service render** | | | |
| | Salary | | 7,570,000 | 1,149,300 |
| | Bonus-staff | | 843,541 | 126,000 |
| | Courier charges - local | | 57,069 | 55,076 |
| | Courier charges - International | | 431,249 | 115,503 |
| | Made sample expenses | | 59,640 | 10,768 |
| | | | **8,961,499** | **1,456,647** |
| **16** | **Administrative Expenses** | | | |
| | Salary | | 8,271,439 | 8,545,204 |
| | Bonus-staff | | 316,289 | 174,144 |
| | Air Freight Charges | | 108,272 | - |
| | Medical/health insurance - employees | | 132,584 | 88,550 |
| | Life insurance contributions-staff | | 46,871 | 20,000 |
| | Leave Encashment | | 24,667 | - |
| | Insurance General | | 2,806 | - |
| | Recruitment expenses | | - | 56,069 |
| | Immigration/visa expenses | | 126,190 | 89,797 |
| | Club & membership fees | | - | 133,525 |
| | Security charges | | 382,536 | 343,156 |
| | Expatriate work permit/visa charges | | 5,000 | 35,000 |
| | Incentives to employees | | 3,500 | 4,500 |
| | Staff welfare expenses | | 8,321 | 11,473 |
| | Overtime expenses | | 32,647 | 23,797 |
| | Legal & professional charges | | 645,750 | 489,280 |
| | Auditors remuneration | | 81,500 | 91,000 |
| | Service Expense | | 1,567 | - |
| | Rent-office | | 780,000 | 780,000 |

| Notes | Particulars | Ref. | Amount (in Taka) | |
|---|---|---|---|---|
| | | | 31.03.2018 | 31.03.2017 |
| | Rates & taxes (local)/regn fees | | 158,400 | 128,700 |
| | Convince Expense | | 1,435,930 | 1,289,234 |
| | Car parking charges | | 26,000 | 24,000 |
| | Repair & maintenance - others | | 68,000 | 79,210 |
| | Generator running & fuel | | 5,874 | 17,490 |
| | Electricity bill | | 270,970 | 208,318 |
| | Gas expenses | | 11,900 | 10,002 |
| | Water charges | | 27,820 | 20,305 |
| | Housekeeping & cleaning | | 116,783 | 86,158 |
| | Office supplies | | 130,148 | 645,360 |
| | Printing & stationery | | 106,617 | 117,668 |
| | Telephone expenses | | 424,939 | 235,443 |
| | Internet & Email Charges | | 109,648 | - |
| | Travel-local | | 666,167 | 249,416 |
| | Travel-overseas | | 3,599,052 | 2,800,456 |
| | Fooding | | 724,555 | 68,148 |
| | Bank charge | | 16,923 | 7,187 |
| | Government fees | | 10,743 | 42,985 |
| | Foreign exchange loss | | - | 114,240 |
| | Depreciation | | 1,468,666 | 1,155,195 |
| | Amortization- software/ERP | | 46,042 | 138,096 |
| | Courier bill-international | | - | 10,000 |
| | | | **20,395,117** | **18,333,106** |
| **17** | **Other income** | | | |
| | Interest | | 22,219 | 47,321 |
| | | | **22,219** | **47,321** |
| **18** | **Deferred Tax** | | | |
| | Carrying amount of Property, Plant & Equip | | 2,772,450 | - |
| | Tax base of Property, Plant & Equip | | 4,052,962 | - |
| | Taxable temporary difference/ (Deductible temporary difference | | (1,280,512) | - |
| | Applicable Tax Rate | | 35% | - |
| | Deferred Tax liability / (Assets) at the end of the year | | (448,179) | - |
| | Deferred tax liability/ (Assets) at the beginning of the year | | - | - |
| | Deferred Tax Expenses / (Income) | | **(448,179)** | - |

Company Registration No. 03170332 (England and Wales)

# F.X. IMPORT COMPANY LIMITED

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2018

UHY Hacker Young
Chartered Accountants

# F.X. IMPORT COMPANY LIMITED

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## F.X. IMPORT COMPANY LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Mr Deepak Seth<br>Mr Pallak Seth<br>Mrs Payel Seth |
| **Secretary** | Mr Krishna Kanodia |
| **Company number** | 03170332 |
| **Registered office** | Quadrant House - Floor 6<br>4 Thomas More Square<br>London<br>E1W 1YW |
| **Auditor** | UHY Hacker Young LLP<br>Quadrant House<br>4 Thomas More Square<br>London<br>E1W 1YW |

# F.X. IMPORT COMPANY LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

**Principal activities**
The principal activity of the company is the importing and distribution of garments.

**Results and dividends**
The results for the year are set out on page 7.

The directors do not recommend the payment of a dividend for the year.

**Directors**
The following directors have held office since 1 April 2017:

Mr Deepak Seth
Mr Pallak Seth
Mrs Payel Seth

**Auditor**
The auditors, UHY Hacker Young, are deemed to be appointed under Section 487(2) of the Companies Act 2006.

**Statement of directors' responsibilities**
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They 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.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

By order of the board

.....

Mr Pallak Seth
**Director**

25 May 2018

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

# F.X. IMPORT COMPANY LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## FX IMPORT COMPANY LIMITED

## FOR THE YEAR ENDED 31 MARCH 2018

### Opinion

We have audited the financial statements of F.X. Import Company Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, 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 March 2018 and of its loss 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.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken 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.

### 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.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW



**Other information**

The other information comprises the information included in the annual report, other than the financial statements and out auditor's report thereon. The directors are responsible for the other information. 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 our audit :
• the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the 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 Strategic Report and the Directors' Report.

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

• adequate accounting records have not been kept, 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.
• the directors were note entitled to prepare the financial statement in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

## F.X. IMPORT COMPANY LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## FX IMPORT COMPANY LIMITED (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2018

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, 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 director is 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 director 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Vinodkumar Vadgama (Senior Statutory Auditor)**
**for and on behalf of UHY Hacker Young**

25 May 2018

**Chartered Accountants**
**Statutory Auditor**

## F.X. IMPORT COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | Year ended 31 March 2018 £ | Year ended 31 March 2017 £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 1,538,348 | 1,603,013 |
| Cost of revenue | | (637,079) | (518,025) |
| **Gross profit** | | 901,269 | 1,084,988 |
| Distribution costs | | - | (2,802) |
| Administration expenses | | (1,043,518) | (1,080,560) |
| **Operating profit** | 5 | (142,249) | 1,626 |
| **Profit before taxation** | | (142,249) | 1,626 |
| Taxation | 8 | 1,949 | - |
| **Profit/(loss) for the financial year** | 17 | (140,300) | 1,626 |

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses, other than those passing through the statement of comprehensive income.

The notes on pages 11 to 28 form part of these financial statements.

## F.X. IMPORT COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 304 | 5,558 |
| Intangible assets | 10 | - | - |
| Investment in subsidiary | 11 | 865 | 865 |
| | | 1,169 | 6,423 |
| **Current assets** | | | |
| Trade and other receivables | 12 | 469,376 | 652,953 |
| Cash and cash equivalents | | 254,522 | 319,861 |
| | | 723,898 | 972,814 |
| **Total assets** | | 725,067 | 979,237 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | (486,274) | (600,144) |
| | | (486,274) | (600,144) |
| **Net current assets** | | 237,624 | 372,670 |
| **Non-current liabilities** | | | |
| Borrowings | 14 | (513,500) | (513,500) |
| | | (513,500) | (513,500) |
| **Total liabilities** | | (999,774) | (1,113,644) |
| **Net liabilities** | | (274,707) | (134,407) |
| **Shareholders' equity** | | | |
| Share capital | 16 | 25,200 | 25,200 |
| Retained earnings | 17 | (299,907) | (159,607) |
| **Total equity** | | (274,707) | (134,407) |

The financial statements were approved by the board of directors and authorised for issue on 25 May 2018 and were signed on its behalf by:

Mr Pallak Seth
**Director**

**Company registration no. 03170332**

The notes on pages 11 to 28 form part of these financial statements.

## F.X. IMPORT COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £ | Retained earnings £ | Total £ |
|---|---|---|---|
| **Balance at 1 April 2016** | 25,200 | (161,233) | (136,033) |
| **Comprehensive income** | | | |
| Profit for the year | - | 1,626 | 1,626 |
| **Balance at 31 March 2017** | 25,200 | (159,607) | (134,407) |
| **Comprehensive income** | | | |
| Loss for the year | - | (140,300) | (140,300) |
| **Balance at 31 March 2018** | 25,200 | (299,907) | (274,707) |

The notes on pages 11 to 28 form part of these financial statements.

## F.X. IMPORT COMPANY LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 19 | (65,339) | 61,844 |
| Finance cost paid | | - | - |
| **Net cash generated/ (used in) from operating activities** | | (65,339) | 61,844 |
| **Cash flows from investing activities** | | | |
| Payments to acquire property, plant and equipment | | - | (507) |
| **Net cash used in investing activities** | | - | (507) |
| **Net (decrease)/increase in cash and cash equivalents** | | (65,339) | 61,337 |
| Cash and cash equivalents at the start of the year | | 319,861 | 258,524 |
| **Cash and cash equivalents at the end of the year** | | 254,522 | 319,861 |

| | 2018 £ | 2017 £ |
|---|---|---|
| **Cash and cash equivalents comprise:** | | |
| Cash at bank and in hand | 254,522 | 319,861 |

The notes on pages 11 to 28 form part of these financial statements.

1. **General information**

FX Import Company Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the Directors' Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. **Summary of significant accounting policies**

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

**Basis of preparation**

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

2.1 **Going concern**

The financial statements have been prepared on a going concern basis. At the balance sheet date, the company's current assets exceeded its current liabilities by £237,624 (2017: £372,670).

The directors consider the going concern basis to be appropriate because, in their opinion, the company's trading performance will improve in the coming year with the development of new customers despite continuing difficult market conditions. The company will also continue to obtain sufficient funding from within the group to enable it to pay its debts as they fall due. If the company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

2.2 **Group accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore, taken advantage of the exemptions provided by Section 399 of the Companies Act 2006 not to prepare group accounts.

2.3 **Intangible assets**

Trademarks are stated at cost, less accumulated amortisation and impairment losses and are amortised over a period of 5 years which, in the opinion of the directors, is the estimated useful economic life.

2.4 **Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life, as follows:

| | |
|---|---|
| Fixtures, fittings and equipment | 25%-33.33% reducing balance |
| Motor vehicles | 25%-33.33% reducing balance |

2. **Summary of significant accounting policies (continued)**

2.5 **Impairment**

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.6 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the distribution of garments net of discounts and value added tax is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Commission receivable is earned when the supplier delivers goods to the end customers.

2.7 **Leasing**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

2.8 **Investments**

Investments in subsidiary undertakings are stated at cost, less provision for impairment.

2.9 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the FIFO method. Net realisable value represents the estimated selling price.

2.10 **Employee benefits**

Obligations for contributions to the defined contribution pension scheme are charged to the income statement in the period to which they relate.

2.11 **Taxation**

Income tax expense represents the current tax payable and deferred tax provisions.

- **Current tax**

  The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2. **Summary of significant accounting policies (continued)**

- **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2.12 **Foreign currencies**

Transactions in currencies, other than pounds sterling, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

2.13 **Factored debts**

Factored debts are shown as gross assets within trade receivables and a corresponding liability is shown in respect of proceeds received within payables. The interest and factoring charges are recognised in the income statement during the period to which they relate using the effective interest method.

2.14 **Related parties**

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2. **Summary of significant accounting policies (continued)**

2.15 **Financial instruments**

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition, non-derivative financial instruments are measured as described as follows:

- **Trade and other receivables**
  Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. This also includes factored debts as described in note 2.13.

- **Trade and other payables**
  Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

- **Cash and cash equivalents**
  Cash for the purposes of the statement of cash flows comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

2.16 **New IFRSs and interpretations not applied**

The following standards, amendments and interpretations are not yet effective and have not yet been adopted early by the company:

| | **Effective for period beginning on or after** |
|---|---|
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |

The adoption of these standards, amendments and interpretations is not expected to have a material impact of the company's results for the year or equity.

3. **Significant judgements and estimates**

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements.

4. **Revenue**

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Analysis of revenue by category:** | | |
| Sale of garments | 832,556 | 653,630 |
| Commission receivable | 705,792 | 949,383 |
| | 1,538,348 | 1,603,013 |

Analysis of revenues by geographical market and customer location are as follows:

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| UK | 832,556 | 653,630 |
| Rest of the World | 705,792 | 949,383 |
| | 1,538,348 | 1,603,013 |

5. **Operating profit**

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Operating profit has been arrived at after charging: | | |
| Amortisation of intangible assets | - | 13 |
| Depreciation of property, plant and equipment | 5,524 | 1,739 |
| Loss/ (Profit) on foreign exchange transactions | 97,774 | (42,923) |
| Staff costs (see note 6 below) | 355,069 | 409,317 |

5. **Operating profit (continued)**

**Auditor remuneration**

During the year, the company obtained the following services from the company's auditor:

| | 2018 £ | 2017 £ |
|---|---|---|
| Fees payable to the company's auditor: | | |
| Audit of annual financial statements | 5,000 | 5,000 |
| Review of the interim financial statements | 4,350 | 4,350 |

6. **Staff numbers and costs**

| | 2018 £ | 2017 £ |
|---|---|---|
| Employee costs include: | | |
| Staff wages and salaries | 316,080 | 352,199 |
| Directors' remuneration | - | 29,167 |
| Social security costs | 35,962 | 25,002 |
| Directors' pension costs – defined contribution plans | - | 828 |
| Staff pension costs | 3,027 | 2,121 |
| | 355,069 | 409,317 |

The average number of employees (including directors) during the year was:

| | 2018 Number | 2017 Number |
|---|---|---|
| Designer | 6 | 4 |
| Sales | 1 | 2 |
| Management and administration | - | 1 |
| | 7 | 7 |

## 7. Staff numbers and costs (continued)

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

| Directors' remuneration | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Emoluments for qualifying services | 12,045 | 48,825 |

## 8. Taxation for the year

| Income tax expense | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Current tax expense:** | | |
| UK corporation tax | (1,949) | - |
| **Total current tax** | **(1,949)** | - |

8. **Taxation for the year (continued)**

| | 2018 £ | 2017 £ |
|---|---|---|
| **Reconciliation of current tax expense to accounting loss:** | | |
| (Loss)/Profit before taxation | (142,249) | 1,626 |
| Notional taxation charge at the UK corporation tax rate of 19% (2017: 20%) | (27,027) | 325 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | 1,459 | 149 |
| Capital allowances in excess of depreciation | 614 | (234) |
| Group relief surrendered | 24,954 | - |
| Other adjustments | (1,949) | (240) |
| **Total current tax charge for the year** | (1,949) | - |

The company has unused tax losses of approximately £Nil (2017: £Nil) available to carry forward against future trading profits.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward.

9. **Property, plant and equipment**

| | Fixtures fittings and equipment £ | Motor vehicles £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2017 | 19,825 | 27,362 | 47,187 |
| Additions | - | - | - |
| At 31 March 2018 | 19,825 | 27,362 | 47,187 |
| **Accumulated depreciation** | | | |
| At 1 April 2017 | 17,398 | 24,231 | 41,629 |
| Charge for the year | 2,124 | 3,130 | 5,254 |
| At 31 March 2018 | 19,522 | 27,361 | 46,883 |
| **Carrying amount** | | | |
| At 31 March 2018 | 303 | 1 | 304 |
| At 31 March 2017 | 2,427 | 3,131 | 5,558 |

## 9. Property, plant and equipment (continued)

| | Fixtures fittings and equipment £ | Motor vehicles £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2016 | 19,318 | 27,362 | 46,680 |
| Additions | 507 | - | 507 |
| At 31 March 2017 | 19,825 | 27,362 | 47,187 |
| **Accumulated depreciation** | | | |
| At 1 April 2016 | 16,703 | 23,187 | 39,890 |
| Charge for the year | 695 | 1,044 | 1,739 |
| At 31 March 2017 | 17,398 | 24,231 | 41,629 |
| **Carrying amount** | | | |
| At 31 March 2017 | 2,427 | 3,131 | 5,558 |
| At 31 March 2016 | 2,615 | 4,175 | 6,790 |

## 10. Intangible assets

| | Trademarks | |
|---|---|---|
| | 2018 £ | 2017 £ |
| **Cost** | | |
| At the start of the year | 9,745 | 9,745 |
| Disposals | (3,300) | - |
| At the end of the year | 6,445 | 9,745 |
| **Amortisation** | | |
| At the start of the year | 9,745 | 9,732 |
| Charge for the year | - | 13 |
| Elimination on disposal | (3,300) | - |
| At the end of the year | 6,445 | 9,745 |
| **Net book value** | | |
| At the end of the year | - | - |
| At the start of the year | - | 13 |

11. **Investment in subsidiary**

| | Shares in subsidiary undertaking | |
|---|---|---|
| | **2018** | **2017** |
| | **£** | **£** |
| At the beginning of the year/ end of the year | 865 | 865 |

Investment in group undertakings are recorded at cost, which is the fair value of the consideration paid.

**Holdings of more than 20%**
The company holds more than 20% of the share capital of the following company:

| **Company** | **Country of registration or Incorporation** | **Shares held** | |
|---|---|---|---|
| | | **Class** | **%** |
| **Subsidiary undertakings** | | | |
| FX Import Hong Kong Limited | Hong Kong | Ordinary | 100 |

The aggregate amount of capital and reserves and the results of the undertakings at 31 March 2018 were as follows:

| | **Principal activity** | **Capital and reserves** | **Profit for the year** |
|---|---|---|---|
| | | **£** | **£** |
| FX Import Hong Kong Limited | Importing and distribution of garments | 391,724 | 145,425 |

## 12. Trade and other receivables

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Trade receivables | 57,234 | 323,088 |
| Other receivables | 239,701 | 219,449 |
| Prepayments | 6,616 | 8,216 |
| Receivables from subsidiary company | 165,825 | 102,200 |
| | 469,376 | 652,953 |

As at 31 March 2018, none of the trade receivables were overdue.

The average credit period given for trade receivables at the end of the year is 14 days (2017: 26 days).

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because they are all factored and its customer base is large and unrelated.

## 13. Trade and other payables

| | 2018 £ | 2017 £ |
|---|---|---|
| Trade payables | 28,575 | 37,663 |
| Payables to parent undertaking | 368,137 | 493,210 |
| Payables to related parties | 59,440 | 12,626 |
| Social security and other taxes | 9,167 | 5,112 |
| Accrued expenses | 20,955 | 16,533 |
| Corporation tax | - | 35,000 |
| | 486,274 | 600,144 |

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs.

All trade and other payables are due to be paid within 12 months of the balance sheet date. The fair value of trade and other payables are the same as the carrying value shown above.

## 14. Borrowings

| | 2018 £ | 2017 £ |
|---|---|---|
| Loan from parent undertaking | 451,500 | 451,500 |
| Loans from other creditors | 62,000 | 62,000 |
| | 513,500 | 513,500 |
| The borrowings are repayable as follows: | | |
| In the third to fifth years inclusive | 513,500 | 513,500 |
| | 513,500 | 513,500 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | - | - |
| Amount due for settlement after 12 months | 513,500 | 513,500 |

## 15. Deferred tax

### Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Tax losses | - | - |
| Original and reversal of temporary differences | - | - |
| | - | - |

Deferred tax assets have not been recognised in respect of the losses due to uncertainty of full and immediate utilisation of these losses.

## 16. Share capital

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Issued and fully paid** | | |
| 25,200 Ordinary 'A' shares of £1 each | 25,200 | 25,200 |

## 17. Retained earnings

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Balance at the start of the year | (159,607) | (161,233) |
| (Loss)/Profit for the year | (140,300) | 1,626 |
| Balance at the end of the year | (299,907) | (159,607) |

18. **Operating lease arrangements**

| | 2018 £ | 2017 £ |
|---|---|---|
| Minimum lease payments under operating lease recognised in the statement of comprehensive income for the year | 43,551 | 43,894 |

| | Land and buildings 2018 £ | 2017 £ |
|---|---|---|
| Within one year | 27,300 | 31,365 |
| Between two and five years | 51,683 | 20,910 |
| | 78,983 | 52,275 |

Operating lease payments represent rentals payable by the company for a lease arrangement entered into by the parent company, Poeticgem Limited, on behalf of the company.

19. **Notes to the cash flow statement**

| | 2018 £ | 2017 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss) / Profit from operations | (142,249) | 1,626 |
| Adjustments for: | | |
| Taxation | 1,949 | |
| Depreciation of property, plant and equipment | 5,254 | 1,739 |
| Amortisation of intangible assets | - | 13 |
| **Operating cash flows before working capital** | (135,046) | 3,378 |
| Decrease / in receivables | 183,577 | 656,440 |
| (Decrease) / in payables | (113,870) | (597,974) |
| **Cash generated from operations** | (65,339) | 61,844 |

## 20. Related party transactions

During the year, the company entered into the following transactions with related parties:

| | Sales/ FOB transfers/ Rent/Commission received | | Management charges/ Commission paid/ purchases/expenses | | Amounts owed to/ (by) related party | |
|---|---|---|---|---|---|---|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Poeticgem Limited, UK | - | - | 181,080 | 184,401 | 790,063* | 859,200* |
| Norwest Industries Limited, Hong Kong | - | - | 45,568 | 36,269 | 59,439 | 12,626 |
| FX Import Hong Kong Limited, Hong Kong | 705,792 | 949,383 | - | - | (165,824) | (102,200) |
| Multinational Textile Group Limited, Hong Kong | - | - | 114,343 | 73,452 | 29,574 | 85,510 |

The above companies are related as follows:

Poeticgem Limited owns 100% share capital of FX Import Company Limited.

Norwest Industries Limited, Hong Kong is a fellow subsidiary of Global Textile Group Limited, parent company of Poeticgem Limited.

FX Import Hong Kong Limited is a wholly owned subsidiary of FX Import Company Limited.

Norwest Industries Limited, Hong Kong is a fellow subsidiary of Multinational Textiles Group Limited.

The above balances are interest free and repayable on demand.

Poeticgem Limited has given an unlimited guarantee on certain of the banking facilities of FX Import Company Limited. At the balance sheet date, no exposure arises on this guarantee.

*This balance includes a long-term loan of £451,500 (2017: £451,500).

## 21. Capital commitments

The company has no significant capital commitments at 31 March 2018.

## 22. Contingent liabilities

At the balance sheet date, the company's bankers, HSBC Bank PLC, have provided a guarantee on behalf of the company to HM Revenue and Customs amounting to £150,000. The company's maximum contingent liability under this guarantee as at 31 March 2018 is £150,000.

The company has extended an Unlimited Multilateral Guarantee on 8 August 2012 to its parent and fellow subsidiaries, Poeticgem Limited and Pacific Logistics Limited.

The bank has a fixed charge over the assets of the company which is supported by a debenture dated 28 August 2012.

## 23. Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimization of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings. The company also receives borrowings from its parent and fellow group companies.

## 24. Financial risk management

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

***Credit Risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available the company uses other publicly available financial information. The company's exposure and the credit ratings of its counterparties are continuously monitored.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

The company's principal financial assets are receivables and cash at bank.

***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2018, the company held cash and cash equivalents of £254,522 (2017: £319,861). It also receives borrowings of which £513,500 (2017: £513,500) was outstanding at the year-end.

*i) Currency exposures*

The following table details the company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

| | **US dollar** |
|---|---|
| | **$** |
| **At 31 March 2018** | |
| Trade and other receivables | 232,619 |
| Cash and cash equivalents | 287,297 |
| Trade payables | (426,999) |
| Net exposure arising from recognised assets and liabilities | 92,917 |

| | **US dollar** |
|---|---|
| | **$** |
| **At 31 March 2017** | |
| Trade and other receivables | 142,137 |
| Cash and cash equivalents | 106,454 |
| Trade payables | (122,213) |
| Net exposure arising from recognised assets and liabilities | 126,378 |

## 24. Financial risk management (continued)

*ii) Sensitivity analysis*

The company is exposed to a number of foreign currencies. The most significant transactional currency exposure is US dollar with sterling.

The following table demonstrates the sensitivity to a possible change if the sterling weakened/strengthened by 10% against the US dollar, with all other variables held constant, on the company's profit or loss and the company's equity.

| | Increase/ (decrease) in profit before tax $ | Increase/ (decrease) in equity $ |
|---|---|---|
| **2018** | | |
| 10% weakened | (9,292) | (9,292) |
| 10% strengthened | 9,292 | 9,292 |
| **2017** | | |
| 10% weakened | (12,638) | (12,638) |
| 10% strengthened | 12,638 | 12,638 |

## 25. Control

The controlling party of the company is Poeticgem Limited by virtue of its 100% ownership of the ordinary share capital and overall board control.

The ultimate parent company is PDS Multinational Fashions Limited, a company registered in India. PDS Multinational Fashions Limited prepares group financial statements and copies can be obtained from # 758 and 759, 2nd Floor, 19th Main Road, Sector-2, HSR Layout, Bangalore 560102.

PDS Multinational Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

# F.X. IMPORT COMPANY LIMITED

## MANAGEMENT INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2018

**F.X. IMPORT COMPANY LIMITED**

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2018**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Turnover** | | | | |
| Sales | | 832,556 | | 653,630 |
| Commission receivable | | 705,792 | | 949,383 |
| | | 1,538,348 | | 1,603,013 |
| **Cost of revenue** | | | | |
| Purchases, packaging and other direct costs | 637,079 | | 518,025 | |
| | | (637,079) | | (518,025) |
| **Gross profit** | | 901,269 | | 1,084,988 |
| **Distribution costs** | - | | (2,802) | |
| **Administrative expenses** | (1,043,518) | | (1,080,560) | |
| | | (1,043,518) | | (1,083,362) |
| **Operating (loss)/ profit** | | (142,249) | | 1,626 |
| **(Loss)/Profit before taxation** | | (142,249) | | 1,626 |

# F.X. IMPORT COMPANY LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

## FOR THE YEAR ENDED 31 MARCH 2018

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Distribution costs** | | |
| Agents' commission | - | 2,802 |
| **Administrative expenses** | | |
| Wages and national insurance | 355,069 | 379,322 |
| Directors' remuneration | - | 29,167 |
| Directors' pension costs | - | 828 |
| Staff recruitment | 13,200 | 7,650 |
| Rents, rates and water | 121,185 | 122,674 |
| Corporate management charge | 112,743 | 73,452 |
| Insurance and medical insurance | 11,788 | 24,273 |
| Repairs and maintenance | 46 | 918 |
| Printing, postage, stationery and advertising | 11,298 | 11,826 |
| Advertising | 433 | 205 |
| Professional subscriptions | 1,382 | 648 |
| Telephone | 7,133 | 8,918 |
| Computer expenses | 2,310 | 4,833 |
| Courier expenses | 5,358 | 19,051 |
| Entertainment, travelling and motor expenses | 96,929 | 60,062 |
| Sample costs | 155,936 | 150,395 |
| Legal and professional fees | 7,236 | 7,808 |
| Consultancy fees | 1,742 | 1,976 |
| Audit fees | 9,352 | 6,450 |
| Finance and bank charges | 4,991 | 3,372 |
| Sundry expenses | 10,570 | 7,903 |
| Bad and doubtful debts | 11,789 | 200,000 |
| Exchange difference | 97,774 | (42,923) |
| Amortisation on trademarks | - | 13 |
| Depreciation on fixtures, fittings and equipment | 2,124 | 695 |
| Depreciation on motor vehicles | 3,130 | 1,044 |
| | 1,043,518 | 1,080,560 |

# ZAMIRA FASHION LIMITED ZHONGSHAN

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 |
|---|---|
| | RMB |
| REVENUE | 2,517,385 |
| PURCHASES AND RELATED COSTS | (1,737,255) |
| GROSS PROFIT | 780,130 |
| OTHER INCOME AND GAINS | 539 |
| STAFF COSTS | ( 437,932) |
| DEPRECIATION EXPENSES | ( 260,487) |
| OTHER OPERATING EXPENSES | ( 433,324) |
| LOSS FROM OPERATIONS | (351,074) |
| FINANCE COSTS | ( 1,902) |
| LOSS BEFORE TAX | (352,976) |
| INCOME TAX EXPENSE | |
| LOSS FOR THE YEAR | (352,976) |
| OTHER COMPREHENSIVE INCOME | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | (352,976) |



# ZAMIRA FASHION LIMITED ZHONGSHAN

## STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | 2018 |
|---|---|
| | RMB |
| Non-Current Assets | |
| Plant and equipment | 2,289,605 |
| Current Assets | |
| Deposits and prepayment | 172,137 |
| Trade and other receivables | 789,920 |
| Cash and cash equivalents | 325,659 |
| | 1,287,716 |
| Current Liabilities | |
| Amounts due to fellow subsidiaries | 778,373 |
| Trade and other payables | 592,465 |
| Provision for taxation | 4,878 |
| | 1,375,716 |
| Net Current Liabilities | 88,000 |
| NET ASSETS | 2,201,605 |
| EQUITY | |
| Share capital | 2,939,721 |
| Retained earnings | (738,116) |
| TOTAL EQUITY | 2,201,605 |

Thomas MUELLER
Director

Report of the Directors and Audited Financial Statements

PDS FAR-EAST LIMITED

31 March 2018

CERTIFIED TRUE COPY

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Building a better working world

PDS FAR-EAST LIMITED

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PDS FAR-EAST LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activity
The principal activity of the Company in the current year is the trading of garments. The Company was inactive during the period ended 31 March 2017.

Results
The Company's loss for the year ended 31 March 2018 and its financial position as at that date are set out the financial statements on pages 6 to 23.

Directors
The directors of the Company during the year were:

Pallak Seth
Deepak Kumar Seth
Raveesh Khanna
Ajai Singh

There being no provision in the Company's articles of association for the retirement of the directors who will continue in office for the ensuing period.

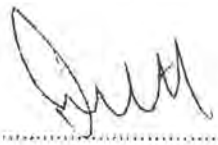
Directors' interests
At no time during the year was rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the period.

Auditors

Ernst & Young retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Deepak Seth
Chairman

Hong Kong
29 May 2018

EY安永
安永會計師事務所
香港中環金融街8號
中信大廈22樓

**Independent auditor's report**
**To the member of PDS FAR-EAST LIMITED**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the financial statements of PDS Far-east Limited (the "Company") set out on pages 6 to 23, which comprises the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the financial statements**
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

**Independent auditor's report** (continued)
**To the member of PDS FAR-EAST LIMITED**
(Incorporated in Hong Kong with limited liability)

**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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 May 2018

PDS FAR-EAST LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Notes | Year ended to 31 March 2018 HK$ | Period from 23 August 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|---|
| REVENUE | 4 | 2,439,687 | - |
| Cost of sales | | ( 2,041,357) | - |
| Gross profit | | 398,330 | - |
| Other income and gain | 4 | 2,696 | - |
| Selling and distribution cost | | ( 63,854) | - |
| Administrative expenses | | ( 2,717,055) | ( 33,848) |
| Other operating expenses | | ( 9,830) | |
| Finance costs | 6 | ( 351) | - |
| LOSS BEFORE TAX | 5 | ( 2,390,064) | ( 33,848) |
| Income tax expense | 8 | - | - |
| LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD | | ( 2,390,064) | ( 33,848) |

PDS FAR-EAST LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 24,359 | - |
| ASSETS | | | |
| Trade receivables | 10 | 461,785 | - |
| Prepayments, deposits and other receivables | | 12,200 | - |
| Amount due from fellow subsidiary | 13(b) | 75,842 | - |
| Cash and cash equivalents | | 224,224 | 73,172 |
| Total current assets | | 774,051 | 73,172 |
| CURRENT LIABILITIES | | | |
| Trade payable | | 275,154 | - |
| Accrual | | 43,389 | 12,000 |
| Due to the immediate holding company | 13(b) | 2,864,381 | 87,240 |
| Due to a fellow subsidiary | 13(b) | 31,618 | - |
| Total current liabilities | | 3,214,542 | 99,240 |
| Net liabilities | | (2,416,132) | ( 26,068) |
| EQUITY | | | |
| Share capital | 12 | 7,780 | 7,780 |
| Accumulated loss | | (2,423,912) | ( 33,848) |
| Net deficiency in assets | | (2,416,132) | ( 26,068) |

Pallak Seth
Director

Deepak Kumar Seth
Director

PDS FAR-EAST LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Note | Share capital HK$ | Accumulated loss HK$ | Net deficiency in assets HK$ |
|---|---|---|---|---|
| Issue of shares on incorporation | 12 | 7,780 | - | 7,780 |
| Loss and total comprehensive loss for the period | | - | ( 33,848) | ( 33,848) |
| At 31 March 2017 and at 1 April 2017 | | 7,780 | ( 33,848) | ( 26,068) |
| Loss and total comprehensive loss for the year | | - | ( 2,390,064) | ( 2,390,064) |
| At 31 March 2018 | | 7,780 | ( 2,423,912) | ( 2,416,132) |

PDS FAR-EAST LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | Year ended 2018 HK$ | Period from 23 August 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | ( 2,390,064) | ( 33,848) |
| Adjustments for: | | | |
| Depreciation | 5 | 5,071 | - |
| Finance costs | 6 | 351 | - |
| | | ( 2,384,642) | ( 33,848) |
| Increase in prepayments, deposits and other receivables | | ( 12,200) | - |
| Increase in amounts due from fellow subsidiaries | | ( 75,842) | - |
| Increase in trade receivables | | ( 461,785) | - |
| Increase in accruals | | 31,389 | 12,000 |
| Increase in an amount due to the immediate holding company | | 2,777,141 | 87,240 |
| Increase in an amount due to fellow subsidiaries | | 31,618 | - |
| Increase in trade payables | | 275,154 | - |
| Cash generated from operations | | 180,833 | 65,392 |
| Interest paid | | ( 351) | - |
| Net cash flows from operating activities | | 180,482 | 65,392 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | ( 29,430) | - |
| CASH FLOW FROM A FINANCING ACTIVITY | | | |
| Proceeds from issue of shares | | - | 7,780 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 151,052 | 73,172 |
| Cash and cash equivalents at beginning of year | | 73,172 | - |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 224,224 | 73,172 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 224,224 | 73,172 |

## 1. CORPORATE INFORMATION

PDS Far-East Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Hong Kong.

The principal activity of the Company in the current year is the trading of garments. The Company was inactive during the period ended 31 March 2017.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, is the Company's ultimate holding company.

## 2.1 FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared on the going concern basis, notwithstanding that the Company had net current liabilities and net liabilities at the end of the reporting period, as the Company's intermediate holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due.

## 2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$").

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[2] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Company is in the process of making an assessment of the impact of the revised HKFRSs upon initial application but not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's financial performance and financial position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;

  or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated principal annual rate used for office equipment is 33⅓%.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

*Initial recognition and measurement*

Financial assets of the Company are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of te Company are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)
For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax
Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency transactions
These financial statements are presented in HK$, which is the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold.

An analysis of other income and gain is as follows:

| | Year ended 31 March 2018 HK$ | Period from 23 August 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|
| Foreign exchange differences, net | 79 | - |
| Others | 2,617 | - |
| | 2,696 | - |

## 5. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging/(crediting):

| | Year ended 31 March 2018 HK$ | Period from 23 August 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|
| Auditor's remuneration | 20,000 | 12,000 |
| Depreciation | 5,071 | - |
| Employee benefit expense (excluding directors' remuneration (note 7)): | | |
| Salaries and allowances | 1,336,865 | - |
| Pension scheme contributions (defined contribution scheme) | 94,772 | - |
| | 1,431,637 | - |
| Foreign exchange differences, net | ( 79) | - |

## 6. FINANCE COSTS

| | Year ended 31 March 2018 HK$ | Period from 23 August 2016 (date of incorporation) to 31 March 2017 HK$ |
|---|---|---|
| Interest on bank overdraft | 1 | - |
| Bank charge | 350 | - |
| | 351 | - |

## 7. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year ended 31 March 2018 (Period ended 31 March 2017: Nil).

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits in Hong Kong during the year ended 31 March 2018 (Period ended 31 March 2017: Nil).

A reconciliation of the tax credit applicable to loss before tax at the Hong Kong statutory tax rate to the tax amount at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

| | Year ended 31 March 2018 HK$ | % | Period from 23 August 2016 (date of incorporation) to 31 March 2017 HK$ | % |
|---|---|---|---|---|
| Loss before tax | ( 2,390,064) | | ( 33,848) | |
| Tax credit at the statutory tax rate | ( 394,360) | 16.5 | ( 5,585) | 16.5 |
| Expense not deductible for tax | 394,360 | ( 16.5) | 5,585 | ( 16.5) |
| Tax at the effective tax rate | - | - | - | - |

8. INCOME TAX (continued)

There was no unprovided deferred tax in respect of the year (Period ended 31 March 2017: Nil) and as at the end of the reporting period (31 March 2017: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment HK$ |
|---|---|
| At 22 July 2016 (date of incorporation), 31 March 2017 and at 1 April 2017: | |
| Cost | - |
| Accumulated depreciation | - |
| Net carrying amount | - |
| At 31 March 2017 and at 1 April 2017, net of accumulated depreciation: | |
| Additions | 29,430 |
| Depreciation provided during the year | ( 5,071) |
| At 31 March 2018, net of accumulated depreciation | 24,359 |
| At 31 March 2018: | |
| Cost | 29,430 |
| Accumulated depreciation | ( 5,071) |
| Net carrying amount | 24,359 |

10. TRADE RECEIVABLES

The Company's trading terms with its customers are mainly on credit. The credit period is generally one month. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

10. TRADE RECEIVABLES (continued)

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Neither past due nor impaired | 461,785 | - |

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a customer that has had a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. OTHER PAYABLES AND ACCRUALS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Accrued employee benefits | 18,822 | - |
| Accruals | 4,567 | - |
| Other payables | 20,000 | 12,000 |
| | 43,389 | 12,000 |

12. SHARE CAPITAL

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Issued and fully paid:<br>1,000 ordinary shares (2017: 1,000) | 7,780 | 7,780 |

On incorporation on 23 August 2016, 1,000 ordinary shares were issued at 1 United States dollar ("US$") each to the subscriber which resulted in proceed of US$1,000 (equivalent to HK$7,780).

## 13. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these financial statements, the Company had no other significant related party transactions during the year ended 31 March 2018 and the period ended 31 March 2017.

(b) The balances with the immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment

(c) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 7 to the financial statements.

## 14. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, amounts due from fellow subsidiaries and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position.

The financial liabilities of the Company comprise trade payables, accruals and amounts due to the immediate holding company and fellow subsidiaries, which are categorised as financial liabilities at amortised cost. The carrying amounts of the Company's financial liabilities are the amounts shown on the statement of financial position.

## 15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of cash and cash equivalents, an accrual, and an amount due to the immediate holding company approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

*Credit risk*
The carrying amounts of cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers.

*Liquidity risk*
In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

*Capital management*
The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2018 and the period ended 31 March 2017.

## 17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2018.

Company Registration no. 06060342 (England and Wales)

# CASA FORMA LIMITED

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2018

UHY Hacker Young
Chartered Accountants

**CASA FORMA LIMITED**

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## CASA FORMA LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Mr P Seth<br>Mr A Banaik |
| **Company number** | 06060342 |
| **Registered Office** | Quadrant House – Floor 6<br>4 Thomas More Square<br>London<br>E1W 1YW |
| **Auditor** | UHY Hacker Young LLP<br>Quadrant House<br>4 Thomas More Square<br>London<br>E1W 1YW |

## CASA FORMA LIMITED

## THE DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements of the company for the year ended 31 March 2018.

**Principal activities**
The principal activity of the company during the year was that of interior and architectural design.

**Results and dividends**
Loss for the year amounted to £80,356 (2017: £12,103 (profit)). The directors have not recommended a dividend.

**Directors**
The directors who served the company during the year were as follows:

Mr P Seth
Mr A Banaik

**Auditor**
The auditors, UHY Hacker Young, are deemed to be reppointed under Section 487(2) of the Companies Act 2006.

**Statement of directors' responsibilities**
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). 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 year. In preparing these financial statements, the directors are required to:

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

**Statement of directors' responsibilities (continued)**

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. They 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.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware: and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

By order of the board

.....

Mr A Banaik
**Director**

25 May 2018

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

# CASA FORMA LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## CASA FORMA LIMITED

## FOR THE YEAR ENDED 31 MARCH 2018

### Opinion

We have audited the financial statements of Casa Forma Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, 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 March 2018 and of its loss 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.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken 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.

### 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.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW



**Other information**
The other information comprises the information included in the annual report, other than the financial statements and out auditor's report thereon. The directors are responsible for the other information. 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 our 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 the 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 where 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.
- the directors' were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

UHY Hacker Young
Chartered Accountants

**UHY Hacker Young LLP**
Quadrant House
4 Thomas More Square
London E1W 1YW

**CASA FORMA LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

**CASA FORMA LIMITED (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2018**

**Responsibilities of director**
As explained more fully in the Director's Responsibilities Statement, the director is 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 director is 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 director 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Vinodkumar Vadgama (Senior Statutory Auditor)**
**for and on behalf of UHY Hacker Young**

25 May 2018

**Chartered Accountants**
**Statutory Auditor**

## CASA FORMA LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2018

| | Note | 2018<br>£ | 2017<br>£ |
|---|---|---|---|
| **Revenue** | | 39,415 | 860,894 |
| Cost of sales | | (34,610) | (735,968) |
| **Gross profit** | | 4,805 | 124,926 |
| **Other income** | 5 | 2,518 | 3,525 |
| Administrative expenses | | (87,679) | (113,848) |
| **Operating (loss) / profit** | | (80,356) | 14,603 |
| Finance costs | 6 | - | (2,500) |
| **(Loss) / Profit before taxation** | | (80,356) | 12,103 |
| Taxation | 7 | - | - |
| **(Loss) / Profit for the financial year** | | (80,356) | 12,103 |

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses, other than those passing through the income statement.

The notes on pages 11 to 20 form part of these financial statements.

## CASA FORMA LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

| | Note | 2018 £ | 2018 £ | 2017 £ | 2017 £ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 8 | | 1,388 | | 1,480 |
| **Current assets** | | | | | |
| Inventories | 9 | | 19,601 | | 39,202 |
| Trade and other receivables | 10 | | 37,819 | | 31,283 |
| Cash and cash equivalents | | | 1,349 | | 15,456 |
| | | | 58,769 | | 85,941 |
| **Total assets** | | | 60,157 | | 87,421 |
| **Current liabilities** | | | | | |
| Trade and other payables | 11 | | (584,639) | | (531,547) |
| **Net current liabilities** | | | (525,870) | | (445,606) |
| **Net liabilities** | | | (524,482) | | (444,126) |
| **Shareholders' equity** | | | | | |
| Share capital | 13 | | 250,000 | | 250,000 |
| Retained earnings | 14 | | (774,482) | | (694,126) |
| **Total equity** | | | (524,482) | | (444,126) |

These financial statements were approved by the board of directors and authorised for issue on 25 May 2018 and were signed on its behalf by:

Mr A Banaik
**Director**

**Company Registration Number: 06060342**
The notes on pages 11 to 20 form part of these financial statements.

## CASA FORMA LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £ | Retained earnings £ | Restated Total £ |
|---|---|---|---|
| **Balance at 1 April 2016** | 250,000 | (706,229) | (456,229) |
| Total comprehensive income for the year | - | 12,103 | 12,103 |
| **Balance at 1 April 2017** | 250,000 | (694,126) | (444,126) |
| Total comprehensive loss for the year | - | (80,356) | (80,356) |
| **Balance at 31 March 2018** | **250,000** | **(774,482)** | **(524,482)** |

The notes on pages 11 to 20 form part of these financial statements.

## CASA FORMA LIMITED

## CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2018

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| **Cash flows from operating activities** | 15 | (14,107) | (209,323) |
| Finance costs | | - | (2,500) |
| **Net (decrease) in cash and cash equivalents** | | (14,107) | (211,823) |
| Cash and cash equivalents at the start of the year | | 15,456 | 227,279 |
| **Cash and cash equivalents at end of the year** | | 1,349 | 15,456 |

| | 2018 £ | 2017 £ |
|---|---|---|
| **Cash and cash equivalents comprise:** | | |
| Cash at bank and in hand | 1,349 | 15,456 |

The notes on pages 11 to 20 form part of these financial statements.

## 1. ACCOUNTING POLICIES

**General information**
Casa Forma Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the Directors' Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

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

**Basis of preparation**
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 the historical cost basis. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Revenue**
The revenue in the statement of comprehensive income represents amounts invoiced during the year and includes design fees and other income exclusive of Value Added Tax. For procurement income revenue is recognised on project completion exclusive of Value Added Tax.

**Property, plant and equipment**
All property, plant and equipment are initially recorded at cost.

**Depreciation**
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer equipment – 25% per annum on reducing balance

**Inventories**
Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

## 1. ACCOUNTING POLICIES (CONTINUED)

**Going concern**
The financial statements have been prepared on a going concern basis. At the balance sheet date, the company's current liabilities exceeded its current assets by £524,482 (2017: £444,126).

The directors consider the going concern basis to be appropriate because, in their opinion, the company's trading performance will improve in the coming year with the development of new customers despite continuing difficult market conditions. The company will also continue to obtain sufficient funding from within the group to enable it to pay its debts as they fall due. If the company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

**Taxation**
The tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

## 1. ACCOUNTING POLICIES (CONTINUED)

**Financial instruments**
The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition, non-derivative financial instruments are measured as described as follows:

- **Trade and other receivables**
  Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

- **Trade and other payables**
  Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

- **Cash and cash equivalents**
  Cash for the purposes of the statement of cash flows comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

**New IFRSs and interpretations not applied**
The following standards, amendments and interpretations are not yet effective and have not yet been adopted early by the company:

| | **Effective for period beginning on or after** |
|---|---|
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |

The adoption of these standards, amendments and interpretations is not expected to have a material impact of the company's results for the year or equity.

**Significant judgements and estimates**
The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements.

## 2. REVENUE

**Revenues by category**
The company's operations are located in the UK and the business activity is reportable as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| **Analysis of revenue by category:** | | |
| Design fees | 39,415 | 38,792 |
| Procurement income | - | 822,102 |
| | 39,415 | 860,894 |

## 3. OPERATING PROFIT/ (LOSS)

| Operating profit/(loss) has been arrived at After charging: | 2018 £ | 2017 £ |
|---|---|---|
| Staff costs (see note 4) | - | 9,806 |
| Depreciation of property, plant and equipment | 93 | 493 |
| Fees payable to auditors: | | |
| Audit of annual financial statements | 3,957 | 4,000 |
| Other services – review of the interim financial statements | - | 2,700 |

## 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

| | 2018 No | 2017 No |
|---|---|---|
| Operational | - | 1 |
| Management | 2 | 2 |
| | 2 | 3 |

The aggregate payroll costs of the above were:

| | 2018 £ | 2017 £ |
|---|---|---|
| Wages and salaries | - | 1,243 |
| Social Security costs | - | 8,563 |
| | - | 9,806 |

## 5. OTHER INCOME

| | 2018 £ | 2017 £ |
|---|---|---|
| Rental income | 2,518 | 3,525 |

## 6. FINANCE COSTS

| | 2018 £ | 2017 £ |
|---|---|---|
| Other interest | - | 2,500 |

## 7. TAXATION

| | 2018 £ | 2017 £ |
|---|---|---|
| **Current tax expense:** | | |
| UK corporation tax | - | - |
| **Reconciliation of current tax expense to accounting (loss) / profit:** | | |
| (Loss) / Profit before taxation | (80,356) | 12,103 |
| Notional taxation charge at the UK corporation tax rate of 19% (2017: 20%) | (15,268) | 2,421 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | - | 140 |
| Group relief surrendered | 15,885 | - |
| Deferred tax not recognised | (617) | (2,561) |
| **Total current tax charge for the year** | - | - |

The company had unused tax losses of approximately £262,208 (2017: £262,208) available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward.

## 8. PROPERTY, PLANT & EQUIPMENT

| | Fixtures & Fittings £ | Computer Equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2017 | - | 4,680 | 4,680 |
| Disposals | | | |
| At 31 March 2018 | - | 4,680 | 4,680 |
| **Depreciation** | | | |
| At 1 April 2017 | - | 3,200 | 3,200 |
| Charge for the year | - | 92 | 92 |
| Disposal | | | |
| At 31 March 2018 | - | 3,292 | 3,292 |
| **Net book value** | | | |
| At 31 March 2018 | - | 1,388 | 1,388 |
| At 31 March 2017 | - | 1,480 | 1,480 |
| **Cost** | | | |
| At 1 April 2016 | 26,830 | 68,790 | 95,620 |
| Disposals | (26,830) | (64,110) | (90,940) |
| At 31 March 2017 | - | 4,680 | 4,680 |
| **Depreciation** | | | |
| At 1 April 2016 | 22,558 | 56,805 | 79,363 |
| Charge for the year | | 495 | 495 |
| Disposal | (22,558) | (54,100) | (76,658) |
| At 31 March 2017 | - | 3,200 | 3,200 |
| **Net book value** | | | |
| At 31 March 2017 | - | 1,480 | 1,480 |
| At 31 March 2016 | 4,272 | 11,985 | 16,257 |

## 9. INVENTORIES

| | 2018 £ | 2017 £ |
|---|---|---|
| Finished goods | 19,601 | 39,202 |

## 10. TRADE AND OTHER RECEIVABLES

| | 2018 £ | 2017 £ |
|---|---|---|
| Trade receivables | 37,819 | 29,807 |
| VAT recoverable | - | 412 |
| Other receivables | - | 1,064 |
| | 37,819 | 31,283 |

Other receivables include a rent deposit of £Nil (2017: £1,064) for which there was a charge.

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because they are all factored and its customer base is large and unrelated.

## 11. TRADE AND OTHER PAYABLES

| | 2018 £ | 2017 £ |
|---|---|---|
| Bank overdraft | - | 30 |
| Trade payables | 543 | 9,245 |
| Amounts owed to parent undertaking | 561,925 | 514,426 |
| Amounts owed to fellow group undertakings | 19,248 | 2,196 |
| Social securities and other taxes | - | - |
| VAT payable | 73 | - |
| Accruals and deferred income | 2,850 | 5,650 |
| | 584,639 | 531,547 |

The company has given a legal charge to its bank in respect of banking facilities including company credit card.

## 12. RELATED PARTY TRANSACTIONS

At the year-end, the company owed the following amounts to its parent and fellow group undertakings:

- Poeticgem Limited - £19,248 (2017: £2,196)
- Multinational Textile Group Limited - £561,926 (2017: £514,426)

Rent amounting to £2,518 (2017: £3,525) was received in the year from Spring Near East Manufacturing Company Limited, Hong Kong, a fellow group company. No balance was outstanding at the year-end.

## 13. SHARE CAPITAL

| **Allotted, called up and fully paid:** | **2018** **£** | **2017** **£** |
|---|---|---|
| 250,000 Ordinary shares of £1 each | 250,000 | 250,000 |

## 14. RETAINED EARNINGS

| | **2018** **£** | **2017** **£** |
|---|---|---|
| Balance brought forward | (694,126) | (706,229) |
| (Loss) / Profit for the financial year | (80,356) | 12,103 |
| Balance carried forward | (774,482) | (694,126) |

## 15. NOTES TO THE CASH FLOW STATEMENTS

| Notes to the cash flow statement | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| (Loss) / Profit from operations | (80,356) | 14,603 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 92 | 493 |
| Loss on disposal of property, plant and equipment | - | 14,283 |
| **Operating cash flows before working capital** | (80,264) | 29,379 |
| Decrease / (Increase) in receivables | (6,536) | 134,039 |
| Decrease in stock | 19,601 | - |
| (Decrease) / Increase in payables | 53,092 | (372,741) |
| **Cash generated from operations** | (14,107) | (209,323) |

## 16. CONTINGENT LIABILITIES

At the balance sheet date, the company did not have any contingent liabilities.

## 17. CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings.

## 18. FINANCIAL RISK MANAGEMENT

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

***Credit Risk***
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available the company uses other publicly available financial information. The company's exposure and the credit ratings of its counterparties are continuously monitored.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

***Liquidity risk***
Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2018, the company held cash and cash equivalents of £1,349 (2017: £15,456).

***Foreign currency risk***
The company's functional and presentation currency and the majority of its spending as well as financing facilities are in GBP. As such, no exchange rate risk exists. The company has no deposit or loan facilities, hence is not affected by interest rate fluctuations.

## 19. ULTIMATE PARENT COMPANY

The immediate parent company is Multinational Textile Group Limited, a company registered in Mauritius, and the ultimate parent company is PDS Multinational Fashions Limited, a company registered in India.

PDS Multinational Fashions Limited prepares group financial statements and copies can be obtained from # 758 and 759, 2nd Floor, 19th Main Road, Sector-2, HSR Layout, Bangalore 560102.

PDS Multinational Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

**CASA FORMA LIMITED**

**MANAGEMENT INFORMATION**

**FOR THE YEAR ENDED 31 MARCH 2018**

## CASA FORMA LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 31 MARCH 2018

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Turnover** | | 39,415 | | 860,894 |
| **Cost of sales** | | | | |
| Opening stock | 39,202 | | 39,202 | |
| Purchases | 15,009 | | 735,968 | |
| | 54,211 | | 775,170 | |
| Closing stock of finished goods | (19,601) | | (39,202) | |
| | | (34,610) | | (735,968) |
| **Gross profit** | | 4,805 | | 124,926 |
| **Other income** | | 2,518 | | 3,525 |
| Administrative expenses | | (87,679) | | (113,848) |
| **Operating (loss) / profit** | | (80,356) | | 14,603 |
| **Finance costs** | | | | |
| Other interest | | - | | (2,500) |
| **(Loss) / Profit before tax** | | (80,356) | | 12,103 |

## CASA FORMA LIMITED

## SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

## FOR THE YEAR ENDED 31 MARCH 2018

| Administrative expenses | 2018 £ | 2018 £ | 2017 £ | 2017 £ |
|---|---|---|---|---|
| **Personnel costs** | | | | |
| Wages and salaries | - | | 1,243 | |
| Employer's N.I. contributions | - | | 8,563 | |
| | | - | | 9,806 |
| **Establishment expenses** | | | | |
| Rent, rates & water | - | | 2,613 | |
| Insurance | 5,100 | | 8,779 | |
| Repairs and maintenance | - | | 336 | |
| Cleaning of premises | - | | 1,939 | |
| | | 5,100 | | 13,667 |
| **General expenses** | | | | |
| Travel & subsistence | 2,019 | | 3,297 | |
| Telephone | 593 | | 655 | |
| Printing, stationery & postage | 110 | | 3,136 | |
| Computer software | 2,056 | | 1,807 | |
| Subscriptions | 728 | | 36 | |
| Repair and maintenance | - | | 7,373 | |
| Storage expenses | - | | 204 | |
| General expenses | - | | (5) | |
| Entertainment | - | | 701 | |
| Advertising and promotional | 22,039 | | 15,283 | |
| Legal and professional fees | 3,785 | | 4,702 | |
| Accountancy fees | 508 | | 1,554 | |
| Consultancy fees | 44,914 | | 27,638 | |
| Auditor's remuneration | 3,957 | | 4,000 | |
| Bad debts | - | | 2,907 | |
| Depreciation of office equipment | 92 | | 493 | |
| Loss on disposal of asset | - | | 14,283 | |
| | | 80,801 | | 88,064 |
| **Finance costs** | | | | |
| Bank & credit card charges | | 1,778 | | 2,311 |
| | | 87,679 | | 113,848 |

# Independent Auditor's Report and Audited Financial Statements of Multinational OSG Services Bangladesh Private Limited For the year ended 31 March, 2018

Mak & Co.
Chartered Accountants

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**Independent Auditor's Report along with Audited Financial Statements**

For the year ended on 31 March, 2018

# Mak & Co.
Chartered Accountants

## *INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MULTINATIONAL OSG SERVICES BANGLADESH PRIVATE LIMITED*

We have audited the accompanying financial statements of **"Multinational OSG Services Bangladesh Private Limited"**, which comprise the Statement of Financial Position as of 31 March, 2018, the statement of comprehensive income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended and a summary of significant accounting policies and relevant explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies mentioned in notes to the financial statements, the Companies Act, 1994 and other applicable laws & regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respect, the financial position of **"Multinational OSG Services Bangladesh Private Limited"** as of 31 March, 2018 and its financial performance and its cash flows for the period then ended in accordance with accounting policies mentioned in notes to the financial statements and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

# Mak & Co.
Chartered Accountants

We also report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) in our opinion, proper books of account as required by law have been kept by the entity so far as it appeared from our examination of those books;

(c) The Company's Statement of Financial Position and Statement of Changes in Equity dealt with by the report are in agreement with the books of account and returns.

Mak & Co.

Dhaka, 24 April, 2018

**Mak & Co.**
Chartered Accountants

**Multinational OSG Services Bangladesh Private Limited**
**Statement of Financial Position (Balance Sheet)**
**As at March 31, 2018**

| Particulars | Notes | (Amount in Taka) 31.03.2018 | 31.03.2017 |
|---|---|---|---|
| **Property & Assets** | | | |
| ***Non-current assets*** | | **156,100** | **156,100** |
| Preliminary expenses | | 156,100 | 156,100 |
| ***Current assets*** | | **91,113,745** | **16,472,102** |
| Advance, deposit & prepayments | 4 | 78,350,097 | 14,697,558 |
| Cash and cash equivalents | 5 | 12,763,648 | 1,774,544 |
| **Total assets:** | | **91,269,845** | **16,628,202** |
| **Liabilities & Shareholders' Equity** | | | |
| ***Current liabilities*** | | **45,667** | **17,500** |
| Liabilities for expenses & payable | 6 | 45,667 | 17,500 |
| Provision for income tax | | - | - |
| ***Shareholders' Equity*** | | | |
| Share Capital | 7 | 1,000,000 | 1,000,000 |
| Share money deposit | | 91,571,400 | 16,338,500 |
| Retained profit | | (1,347,222) | (727,798) |
| | | **91,224,178** | **16,610,702** |
| **Total equity and liabilities:** | | **91,269,845** | **16,628,202** |

*The annexed notes (1-8) form an integral part of these financial statements.*

**Managing Director** | **Director**

*Signed as per our annexed report of even date.*

Mak & Co.
**Mak & Co.**
**Chartered Accountants**

Dated: Dhaka;
2018, April 24

**Multinational OSG Services Bangladesh Private Limited**
**Statement of Comprehensive Income (Income Statement)**
**For the year ended on 31 March, 2018**

| Particulars | Notes | (Amount in Taka) | |
|---|---|---|---|
| | | 2017-18 | 2016-17 |
| **Turnover** | | - | - |
| **Less:** Cost of goods sold | | - | - |
| **Gross profit:** | | - | - |
| **Less: Operating expenses:** | | | |
| Administrative expenses | 8 | 619,424 | 596,333 |
| **Profit from operation:** | | **(619,424)** | **(596,333)** |
| Other income | | - | - |
| **Profit before Interest & Taxes:** | | **(619,424)** | **(596,333)** |
| Less: Financial expenses | | - | - |
| **Profit before Income Tax:** | | **(619,424)** | **(596,333)** |
| Less: Income tax expenses | | - | - |
| **Net Profit:** | | **(619,424)** | **(596,333)** |
| Add: Other comprehensive income | | - | - |
| **Total comprehensive income** | | **(619,424)** | **(596,333)** |

*The annexed notes (1-8) form an integral part of these financial statements.*

**Managing Director** | **Director**

*Signed as per our annexed report of even date.*

Dated: Dhaka;
2018, April 24

mak & co.
**Mak & Co.**
**Chartered Accountants**

**Multinational OSG Services Bangladesh Private Limited**
**Statement of Changes in Equity**
**For the year ended on 31 March, 2018**

**(Amount in Taka)**

| Particulars | Paid up Capital | Share Money Deposit | Retained Earnings | Total Equity |
|---|---|---|---|---|
| Balance b/f | 1,000,000 | 16,338,500 | (727,798) | 16,610,702 |
| Add: Addition during the period | - | 75,232,900 | - | 75,232,900 |
| Profit (Loss) for the Period | - | - | (619,424) | (619,424) |
| **Balance as at 31 March, 2018** | **1,000,000** | **91,571,400** | **(1,347,222)** | **74,613,476** |
| **Balance as at 31 March, 2017** | **1,000,000** | **16,338,500** | **(727,798)** | **16,610,702** |

*The annexed notes (1-8) form an integral part of these financial statements.*

**Managing Director** **Director**

**Multinational OSG Services Bangladesh Private Limited**
**Statement of Cash Flows**
**For the year ended on 31 March, 2018**

| Particulars | Notes | (Amount in Taka) | |
|---|---|---|---|
| | | 2017-18 | 2016-17 |
| **Cash flows from operating activities:** | | | |
| Cash received form customer | | - | - |
| Cash paid to supplier and employee & government | | (591,257) | (578,833) |
| **Net cash used in operating activities (A):** | | **(591,257)** | **(578,833)** |
| **Cash flows from investing activities:** | | | |
| Advance against purchase of property | | (63,652,539) | (14,697,558) |
| Purchase of intangible assets for the period | | - | - |
| **Net cash used in investing activities (B):** | | **(63,652,539)** | **(14,697,558)** |
| **Cash flows from financing activities:** | | | |
| Paid up capital | | - | - |
| Share Money Deposit | | 75,232,900 | 16,338,000 |
| **Net cash generated from financing activities (C):** | | **75,232,900** | **16,338,000** |
| **Net increase (decrease) in cash and cash equivalents during the year(A+B+C):** | | **10,989,104** | **1,061,609** |
| Cash and cash equivalent at the beginning of the period | | 1,774,544 | 712,935 |
| **Cash and cash equivalent at the ending of the period*** | | **12,763,648** | **1,774,544** |
| ***Cash and cash equivalent includes:** | | | |
| Cash in hand | 5 | 59,810 | 21,552 |
| Cash at bank | 5 | 12,703,838 | 1,752,992 |
| | | **12,763,648** | **1,774,544** |

*The annexed notes (1-8) form an integral part of these financial statements.*

**Managing Director** | **Director**

# Multinational OSG Services Bangladesh Private Limited

## Notes to the Financial Statements

As at and for the year ended on 31 March 2018

**1.00 Background of the Company**

Multinational OSG Services Bangladesh Private Limited was incorporated under Company Act 1994 as private limited companies by shares vide Registration No. C-113829/14 dated February 2, 2014 having prime objectives of carrying on the business as manufacturers, processors, traders, importers, exporters, buyers, sellers, marketers, showroom owners, general commission agent, dealers, distributors, brokers, wholesalers, retailers, exchangers, franchise traders, stockiest, jobbers, fabricators of otherwise deal in all kind of garments etc.

**2.00 Basis of preparation of financial statements**

**2.01 Statement of Compliance**

The financial statements have been prepared incompliance with the requirements of the Companies Act 1994, and other relevant local laws as applicable and in accordance with the accounting policies mentioned in the following paragraphs.

**2.02 Regulatory Compliances**

In addition to the provision of Companies Act 1994, the management complies with the applicable provisions of following act & laws:

- The Income Tax Ordinance 1984;
- The Income Tax Rules 1984;
- The Value Added Tax Act 1991;
- The Value Added Tax Rules 1991;

**2.03 Components of the Financial Statements**

According to the International Accounting Standards (IAS)-1 as adopted by ICAB as BAS-1 "Presentation of Financial Statements" the complete set of financial statements includes the following components.

- Statement of financial position (balance sheet) as at 31 March, 2018;
- Statement of comprehensive income (Income statement) for the period ended on 31 March, 2018.
- Statement of changes in equity for the period ended on 31 March, 2018;
- Statement of cash flows for the period ended on 31 March, 2018; and
- Accounting policies and other explanatory notes for the period ended on 31 March, 2018.

**2.04 Measurement Bases used in preparing the Financial Statements**

The financial statements have been prepared on the historical cost basis, and therefore, do not take into consideration the effect of inflation. The accounting policies, unless otherwise stated, have been consistently applied by the company and are consistent with those of the previous year.

**2.05 Reporting Currency and Level of Precision**

The financial statements are presented in Bangladeshi currency (Taka), which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest Taka.

**2.06 Preparation and Presentation of Financial Statements of the Company**

The Board of Directors of the company is responsible for the preparation and presentation of financial statements of Multinational OSG Services Bangladesh Private Limited.



Mak & Co. Mak & Co. CHARTERED ACCOUNTANTS

**2.07 Use of Estimates and Judgments**

The preparation of these financial statements, required management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**2.08 Reporting Period**

This financial statement of the company covers period from 1 April, 2017 to 31 March 2018.

**2.09 Cash Flow Statement**

Statement of cash flows is prepared in accordance with "BAS 7: Cash Flow Statement" and the cash flows from operating activities have been presented under direct Method.

**2.10 Recognition of PPE:**

Property, Plant and Equipment (PPE) under construction/acquisition is measured at cost & no depreciation was charged as per provision of 'BAS-16: Property, Plant and Equipment'.

**2.11 Depreciation:**

Depreciation has been charged on straight-line method on all property, plant and equipment that have already been put on operation except land. Full month's depreciation is charged for the month of acquisition irrespective of the date of acquisition and no depreciation is charged for the month of disposal. The rates of depreciation and category of property, plant and equipment are as follows:

| Asset Type | Rate |
|---|---|
| Furniture and Fixtures | 10% |
| Office Equipment | 15% |
| Computer Equipment | 15% |

**2.12 Revenue Recognition**

The company recognized revenue when risk of ownership has been transferred to the buyer, which satisfied all the condition for the revenue recognition as provided in BAS 18 "Revenue Recognition".

**2.13 Provisions**

As per "BAS 37: Provisions, Contingent Liabilities and Contingent Assets' a provision recognized on the date of statement of financial position if, as a result of past even Company has a present obligation that can be estimated reliably, and it is probable the outflow of economic benefits will be required to settle the obligation.

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

**2.14 Contingencies**

Contingencies arising from claim, litigation assessment, fines, penalties etc are recorded it is probable that a liability has been incurred and the amount can be measured reliably accordance with "BAS 37: Provisions, Contingent Liabilities and Contingent Assets".

**2.15 Going Concern**

The company has adequate resources to continue its operations for foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the accounts. The resources of the company are sufficient to meet the present obligation of its existing businesses and operations.

**3.00 General**

Figures are rounded off to the nearest Taka.



Mak & Co. CHARTERED ACCOUNTANTS

| Notes | Particulars | Ref. | Amount (in Taka) | |
|---|---|---|---|---|
| | | | 31.03.2018 | 31.03.2017 |
| **4** | **Advances, deposit & prepayments** | | | |
| | Advance against purchase of property | | 78,350,097 | 14,697,558 |
| | | | **78,350,097** | **14,697,558** |
| **5** | **Cash and cash equivalents** | | | |
| | Cash in hand | | 59,810 | 21,552 |
| | Cash at bank | 5.1 | 12,703,838 | 1,752,992 |
| | | | **12,763,648** | **1,774,544** |
| **5.1** | **Cash at bank** | | | |
| | A/C No.-1804012756, Gulshan Branch, Commercial Bank of Ceylon. | | 12,703,838 | 1,752,992 |
| | | | **12,703,838** | **1,752,992** |
| **6** | **Liabilities for expenses & Payable** | | | |
| | Audit fees | | 34,500 | - |
| | Tax deducted at source | | 4,467 | 7,000 |
| | VAT deducted at source | | 6,700 | 10,500 |
| | | | **45,667** | **17,500** |
| **7** | **Share Capital** | | | |
| | **Authorized Capital:** | | **10,000,000** | **10,000,000** |
| | [1,00,000 shares of Tk. 100 each] | | | |
| | **Paid-up Capital:** | | | |

| Name of Shareholder | Qty. | Per | Taka | Taka |
|---|---|---|---|---|
| Multinational Textile Group Limited | 9,700 | 100 | 970,000 | 970,000 |
| Mr. Carlos Majmud | 100 | 100 | 10,000 | 10,000 |
| Md. Shahed Mahmud | 100 | 100 | 10,000 | 10,000 |
| Mr. Pallak Seth | 100 | 100 | 10,000 | 10,000 |
| | **10,000** | | **1,000,000** | **1,000,000** |

| Notes | Particulars | Ref. | Amount (in Taka) | |
|---|---|---|---|---|
| | | | 2017-18 | 2016-17 |
| 8 | **Administrative Expenses** | | | |
| | Office expenses | | 131,145 | 119,350 |
| | Trade License Fees | | - | 4,660 |
| | Club & Membership fees | | 20,000 | 70,000 |
| | Government Fees | | 227,474 | 142,438 |
| | Bank Charges | | 19,143 | 4,885 |
| | Legal & Professional Fees | | 146,912 | 226,250 |
| | Audit Fees | | 74,750 | 28,750 |
| | | | **619,424** | **596,333** |

Nor Delhi Mnfg Ltd.
Profit & Loss Account for the year ended 31 Mar. 2018

| Revenue | HKD | HKD |
|---|---|---|
| Income | | |
| Foreign Exchange Gain/Loss | | 2,121.23 |
| Expenses | | |
| Auditors' Remuneration | 14,400.00 | |
| Bank Chg-Others | 2,165.31 | |
| Courier Charges - International | 131.87 | |
| Legal & Professional Charges | 3,800.00 | |
| Printing & Stationery | 1,350.00 | |
| Rates & Taxes (Local)/Regn Fees | 2,250.00 | 24,097.18 |
| Net loss for the year | | (21,975.95) |

Nor Delhi Mnfg Ltd.
Balance Sheet as at 31 Mar. 2018

| Assets | HKD | HKD |
|---|---|---|
| BCI HK Dollar A/c | 3,475.64 | |
| BCI US Dollar A/c | 68,016.33 | |
| BCI GBP A/c | 9,413.36 | |
| BCI EURO A/c | 7,702.48 | |
| HSBC HK Dollar A/c | 29,048.90 | |
| HSBC US Dollar A/c | 37,172.97 | |
| HSBC GBP A/c | 640.20 | |
| Payable-Group | 2,030,399.57 | 2,185,869.45 |
| Liabilities | | |
| Others accruals liabilities | 81,251.36 | |
| Audit fee payable | 13,200.00 | 94,451.36 |
| Net Assets | | 2,091,418.09 |
| Equity issued subscribed & paid up capital | | 2,000,000.00 |
| Retained earning | | 113,394.04 |
| Net loss for the year | | (21,975.95) |
| Total Equity | | 2,091,418.09 |

*For and on behalf of*
**NORDELHI MANUFACTURING LIMITED**

*Authorized Signature(s)*

# NOR LANKA MANUFACTURING COLOMBO LIMITED

## FINANCIAL STATEMENTS

## 31 MARCH 2018

BW/NJ/DM

To the Shareholders of Norlanka Manufacturing Colombo Limited
Report on the audit of the financial statements

## Opinion

We have audited the financial statements of Norlanka Manufacturing Colombo Limited, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 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 SLAuSs 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.

Partners : [illegible]

Principal : [illegible]

A member firm of Ernst & Young Global Limited

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

23 May 2018
Colombo

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

| ASSETS | Note | 2018 USD | 2017 USD |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 3 | 620,234 | 280,702 |
| Intangible Assets | 4 | 62,252 | 89,038 |
| Deferred Tax Assets | 5 | 19,741 | 18,217 |
| | | 702,227 | 387,957 |
| **Current Assets** | | | |
| Inventories | 6 | 754,632 | 543,015 |
| Trade Receivables | 7 | 8,988,270 | 2,881,469 |
| Amount Due from Related Party | 8 | 1,059,900 | 1,611,175 |
| Other Taxes Recoverable | 9 | 68,408 | 63,151 |
| Other Receivables and Advances | 10 | 2,468,705 | 2,553,943 |
| Deposits and Prepayments | | 36,089 | 34,586 |
| Other Financial Assets | | 313,840 | 303,510 |
| Cash and Bank Balances | 11 | 89,186 | 149,330 |
| | | 13,779,030 | 8,140,179 |
| **Total Assets** | | 14,481,257 | 8,528,136 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and Reserves** | | | |
| Stated Capital | 12 | 523,499 | 523,499 |
| Accumulated Losses | | (537,601) | (98,796) |
| **Total Equity** | | (14,102) | 424,703 |
| **Non-Current Liabilities** | | | |
| Borrowings | 16 | - | 12,642 |
| Retirement Benefit Obligation | 13 | 186,447 | 146,820 |
| | | 186,447 | 159,462 |
| **Current Liabilities** | | | |
| Trade Payables | 14 | 656,257 | 901,411 |
| Amount Due to Related Party | 15 | 10,982,619 | 6,095,314 |
| Income Tax Payable | | 4,992 | 4,992 |
| Other Payables and Advances | | 449,450 | 146,166 |
| Accrued Expenses | | 177,847 | 23,008 |
| Borrowings | 16 | 2,037,747 | 773,080 |
| | | 14,308,912 | 7,943,971 |
| **Total Equity and Liabilities** | | 14,481,257 | 8,528,136 |

These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007.

.....
Finance Manager

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the board by,

.....
Director

.....
Director

The accounting policies and notes on pages 07 through 23 form an integral part of the financial statements.

ERNST & YOUNG
Chartered
23 May 2018
Colombo
COLOMBO

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 March 2018

| | Note | 2018 USD | 2017 USD |
|---|---|---|---|
| **Revenue** | 17 | 5,641,393 | 7,852,649 |
| Cost of Sales | | (6,255,734) | (7,830,350) |
| **Gross Profit** | | (614,341) | 22,299 |
| Other Income and Gains | 17.1 | 609,334 | 291,414 |
| Selling And Distribution Costs | | (28,767) | (34,688) |
| Administrative Expenses | | (544,618) | (784,475) |
| **Operating Profit / (Loss)** | 18 | (578,392) | (505,450) |
| Finance Income | 19.1 | 211,290 | 174,885 |
| Finance Costs | 19.2 | (79,015) | (59,219) |
| **Profit / (Loss) before tax** | | (446,118) | (330,565) |
| Income Tax Reversal/ (Expense) | 20 | 2,219 | (17,711) |
| **Profit/ (Loss) for the year** | | (443,899) | (348,276) |
| **Other Comprehensive Income** | | | |
| **Net Other Comprehensive Income not to be reclassified to profit and loss in subsequent period** | | | |
| Actuarial Gain/(Loss) | 13 | 5,789 | 10,472 |
| Income Tax Effect | 5.1 | (695) | (1,257) |
| | | 5,094 | 9,215 |
| **Total Comprehensive Income for the year, net of tax** | | (438,805) | (339,060) |
| Basic Earnings/ (loss) Per Share | 21 | (0.07) | (0.05) |

The accounting policies and notes on pages 07 through 23 form an integral part of the financial statements.



# NOR LANKA MANUFACTURING COLOMBO LIMITED

## FINANCIAL STATEMENTS

## 31 MARCH 2018

BW/NJ/DM

To the Shareholders of Norlanka Manufacturing Colombo Limited
Report on the audit of the financial statements

## Opinion

We have audited the financial statements of Norlanka Manufacturing Colombo Limited, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 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 SLAuSs 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.

Partners : [illegible]

Principal : [illegible]

A member firm of Ernst & Young Global Limited

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

23 May 2018
Colombo

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

| ASSETS | Note | 2018 USD | 2017 USD |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 3 | 620,234 | 280,702 |
| Intangible Assets | 4 | 62,252 | 89,038 |
| Deferred Tax Assets | 5 | 19,741 | 18,217 |
| | | 702,227 | 387,957 |
| **Current Assets** | | | |
| Inventories | 6 | 754,632 | 543,015 |
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| Amount Due from Related Party | 8 | 1,059,900 | 1,611,175 |
| Other Taxes Recoverable | 9 | 68,408 | 63,151 |
| Other Receivables and Advances | 10 | 2,468,705 | 2,553,943 |
| Deposits and Prepayments | | 36,089 | 34,586 |
| Other Financial Assets | | 313,840 | 303,510 |
| Cash and Bank Balances | 11 | 89,186 | 149,330 |
| | | 13,779,030 | 8,140,179 |
| **Total Assets** | | 14,481,257 | 8,528,136 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and Reserves** | | | |
| Stated Capital | 12 | 523,499 | 523,499 |
| Accumulated Losses | | (537,601) | (98,796) |
| **Total Equity** | | (14,102) | 424,703 |
| **Non-Current Liabilities** | | | |
| Borrowings | 16 | - | 12,642 |
| Retirement Benefit Obligation | 13 | 186,447 | 146,820 |
| | | 186,447 | 159,462 |
| **Current Liabilities** | | | |
| Trade Payables | 14 | 656,257 | 901,411 |
| Amount Due to Related Party | 15 | 10,982,619 | 6,095,314 |
| Income Tax Payable | | 4,992 | 4,992 |
| Other Payables and Advances | | 449,450 | 146,166 |
| Accrued Expenses | | 177,847 | 23,008 |
| Borrowings | 16 | 2,037,747 | 773,080 |
| | | 14,308,912 | 7,943,971 |
| **Total Equity and Liabilities** | | 14,481,257 | 8,528,136 |

These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007.

.....
Finance Manager

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the board by,

.....
Director

.....
Director

The accounting policies and notes on pages 07 through 23 form an integral part of the financial statements.

ERNST & YOUNG
Chartered
23 May 2018
Colombo
COLOMBO

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 March 2018

| | Note | 2018 USD | 2017 USD |
|---|---|---|---|
| **Revenue** | 17 | 5,641,393 | 7,852,649 |
| Cost of Sales | | (6,255,734) | (7,830,350) |
| **Gross Profit** | | (614,341) | 22,299 |
| Other Income and Gains | 17.1 | 609,334 | 291,414 |
| Selling And Distribution Costs | | (28,767) | (34,688) |
| Administrative Expenses | | (544,618) | (784,475) |
| **Operating Profit / (Loss)** | 18 | (578,392) | (505,450) |
| Finance Income | 19.1 | 211,290 | 174,885 |
| Finance Costs | 19.2 | (79,015) | (59,219) |
| **Profit / (Loss) before tax** | | (446,118) | (330,565) |
| Income Tax Reversal/ (Expense) | 20 | 2,219 | (17,711) |
| **Profit/ (Loss) for the year** | | (443,899) | (348,276) |
| **Other Comprehensive Income** | | | |
| **Net Other Comprehensive Income not to be reclassified to profit and loss in subsequent period** | | | |
| Actuarial Gain/(Loss) | 13 | 5,789 | 10,472 |
| Income Tax Effect | 5.1 | (695) | (1,257) |
| | | 5,094 | 9,215 |
| **Total Comprehensive Income for the year, net of tax** | | (438,805) | (339,060) |
| Basic Earnings/ (loss) Per Share | 21 | (0.07) | (0.05) |

The accounting policies and notes on pages 07 through 23 form an integral part of the financial statements.



# STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2018

| | Stated Capital USD | Accumulated Losses USD | Total USD |
|---|---|---|---|
| **Balance as at 01 April 2016** | 523,499 | 299,485 | 822,984 |
| Loss for the Year | - | (407,496) | (407,496) |
| Other Comprehensive income | | 9,215 | 9,215 |
| Total Comprehensive income | - | (398,281) | (398,281) |
| **Balance as at 31 March 2017** | 523,499 | (98,796) | 424,703 |
| Loss for the Year | - | (443,899) | (443,899) |
| Other Comprehensive income | - | 5,094 | 5,094 |
| Total Comphensive income | - | (438,805) | (438,805) |
| **Balance as at 31 March 2018** | 523,499 | (537,601) | (14,102) |

The accounting policies and notes on pages 07 through 23 form an integral part of the financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

# STATEMENT OF CASH FLOWS

Year Ended 31 March 2018

| | Notes | 2018 USD | 2017 USD |
|---|---|---|---|
| **Cash Flows From / (Used in) Operating Activities** | | | |
| Profit/ (Loss) before Tax | | (446,118) | (389,785) |
| Adjustments for: | | | |
| Depreciation | 3.2 | 173,899 | 146,366 |
| Amortisation | 4.2 | 28,331 | 21,099 |
| Interest Expenses | 19.2 | 59,219 | 59,219 |
| Interest Income | 19.1 | (12,258) | (6,959) |
| Exchange Translation Difference | 19.1 | (199,032) | (167,926) |
| Loss /(Gain) on disposal of Property, Plant & Equipment | | (45,285) | |
| Provision for Employee Benefit Liability | 13 | 55,622 | 31,220 |
| Operating Profit before Working Capital Changes | | (385,622) | (306,766) |
| **Working Capital Changes** | | | |
| (Increase)/Decrease in Inventories | | (211,617) | 1,186,441 |
| (Increase)/Decrease in Trade and Other Receivables | | (5,814,180) | (2,963,796) |
| Increase/(Decrease) in Trade and Other Payables | | 5,651,549 | 3,913,836 |
| Cash Generated from/used in Operations | | (759,869) | 1,829,714 |
| Interest Expenses Paid | | (59,219) | (59,219) |
| Retirement Benefit Plan Cost Paid | 13 | (35,647) | (35,323) |
| Net Cash from/Used in Operating Activities | | (854,736) | 1,735,171 |
| **Cash Flows From / (Used in) Investing Activities** | | | |
| Acquisition of Property, Plant and Equipment | 3 | (515,394) | (192,948) |
| Acquision of Intangible Assets | 4 | (1,545) | (73,759) |
| Proceeds from sale of Property, Plant & Equipment | | 47,248 | |
| Interest Received | | 12,258 | 6,959 |
| Net Cash Flows Used in/from Investing Activities | | (457,433) | (259,747) |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from Borrowings | | 5,950,000 | 4,700,000 |
| Repayment of Borrowings | | (5,700,000) | (5,700,000) |
| Finance Lease Principal Repayments | | (30,099) | (15,609) |
| Net Cash Flows used in/from Financing Activities | | 219,901 | (1,015,609) |
| **Net Increase / (Decrease) in Cash and Cash Equivalents** | | (1,092,268) | 459,815 |
| **Cash and Cash Equivalents at the beginning of the period** | 11 | 143,707 | (316,108) |
| **Cash and Cash Equivalents at the end of the period** | 11 | (948,561) | 143,707 |

The accounting policies and notes on pages 07 through 23 form an integral part of the financial statements.

ERNST & YOUNG Chartered Accountants COLOMBO

## 1. CORPORATE INFORMATION

### 1.1 General

Nor Lanka Manufacturing Colombo Limited ("the Company") is a limited liability company incorporated and domiciled in Sri Lanka. The registered office is situated at No. 423, Negambo Road, Wattala.

### 1.2 Principal Activities and Nature of Operations

Principal activity of the Company is carrying on the business of export of locally procured, manufactured garments.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent is Norwest Industries Limited which is incorporated in Hong Kong and the ultimate parent undertaking is PDS Multinational Fashions Limited which is incorporated in India.

### 1.4 Date of Authorization for Issue

The financial statements of Nor Lanka Manufacturing Colombo Limited for the year ended 31 March 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 23 May 2018.



## 2. GENERAL ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The Financial Statements of the Company have been prepared on a historical cost basis, unless stated otherwise.

The Financial Statements are presented in United States Dollars (USD).

#### 2.1.1 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows together with Accounting Policies and Notes.

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities ("SLFRS for SMEs") and in compliance with the Companies Act No. 07 of 2007.

#### 2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not intend either to liquidate or to cease trading.

#### 2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.2.1 Foreign Currency Translation

The Financial Statements are presented in United States Dollars, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### 2.2.2 Taxation

a) Current Taxes

As per the agreement with the Board of Investment of Sri Lanka (BOI) dated 7 April 2010 under Section 17 of the BOI Law No. 4 of 1978 the Company's profits and income from export sales are exempt from income tax for a period of five years (provided the annual turnover of the Company exceeds USD 25 Million) from the year of assessment reckoned from the year in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier, as may be specified in a certificate issued by the BOI.



The tax exemption period has commenced during the year ended 31 March 2015 since the Company has completed the two years period after commencing commercial operations. However, the turnover for the year ended 31 March 2018 did not exceeded USD 25 Million [turnover for the year amounted to USD 5,641,393].

If the annual turnover of the Company is below USD 25 Million and above USD 10 Million in any year of assessment during the tax holiday period the Company is liable to pay tax at a rate of 5% and if the annual turnover is below USD 10 Million and above USD 05 Million in any year of assessment during the tax holiday period the Company is liable to pay tax at a rate of 10% on its profits from export sales.

The tax losses available for carry forward as at 31 March 2018 amounting to USD 33,399 (as at 31 March 2017 - USD 10,372) wholly consist of tax losses incurred prior to commencement of tax holiday.

**b) Deferred Taxation**

Deferred tax is provided using the balance sheet liability method, providing for tax effect of temporary difference between the carrying amount of assets and liabilities for financial reporting purpose and the amounts used for taxation purpose.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

The principal temporary differences arise from depreciation on property, plant and equipment and defined benefit obligations.

### 2.2.3 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae.

| | |
|---|---|
| Raw Materials | At actual cost on weighted average basis |
| Finished Goods | At actual cost on weighted average basis |
| Stationeries | At actual cost on weighted average basis |

### 2.2.4 Financial Instruments

#### 2.2.4.1 Financial Assets

Financial assets are recognised on the Statement of Financial Position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are classified as fair value through profit or loss (FVTPL), loans and receivables, held to maturity investments or available for sale (AFS) as appropriate.

Company's financial assets consist of Loans and receivables. The related policy on recognition, initial and subsequent measurement, impairment and de-recognition adopted are set out below;



**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using effective interest rate (EIR) method less impairment.

Loans and receivables are presented as "trade and other receivables" on the Statement of Financial Position.

*Derecognition*

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.

*Impairment*

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

**2.2.4.2 Financial Liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include trade and other payables, intercompany payables and borrowings.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

ERNST & YOUNG
Chartered Accountants
COLOMBO

#### 2.2.4.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

#### 2.2.4.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

### 2.2.5 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Statement of Cash Flows, cash and cash equivalents consist of cash in hand net of outstanding bank overdrafts.

### 2.2.6 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

When an asset is revalued, any increase in the carrying amount is credited directly to the asset revaluation reserve. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is deducted against the asset revaluation reserve to the extent of any balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The whole of the revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation of an asset begins when it is available for use and is computed on the straight-line basis over the estimated useful lives (or lease term, if shorter) of the assets as follows:

| | |
|---|---|
| Furniture and Fittings | - 3 years |
| Plant and Machinery | - 3 to 5 years |
| Office Equipment | - 3 years |
| Other Equipment | - 3 years |
| Motor Vehicles | - 3 years |
| Computer Equipment | - 3 years |

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Fully depreciated property plant and equipment are retained in the financial statements until they are no longer in use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

### 2.2.7 Intangible Assets

Computer Software and Licenses

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their reliable estimated useful life of 3 to 5 years.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### 2.2.8 Leases

Leases in which substantially all 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 profit or loss on a straight-line basis over the period of the lease.

The Company leases certain items of property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

'Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.



### 2.2.9 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

### 2.2.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. Liability on warranty replacements on computer hardware sales does not arise on the Company as the related liability is born by the manufacturer.

### 2.2.11 Retirement Benefit Obligations

**a) Defined Benefit Plan - Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are as follows.

| | 2018 | 2017 |
|---|---|---|
| Discount Rate | 10 % | 11% |
| Future Salary Increment Rate | 5 % | 7% |
| **Retirement age** | | |
| Male | 55 years | 55 years |
| Female | 50 years | 50 years |

Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The gratuity liability is not externally funded. This item is grouped under Non-Current Liabilities in the balance sheet.

**b) Defined Contribution Plans – Employees' Provident Fund and Employees Trust Fund**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.



### 2.2.12 Statement of Profit or Loss

**Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, value added taxes, and other sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) **Sale of Goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, on despatch of the goods.

b) **Interest**

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

c) **Others**

Other income is recognized on an accrual basis.

### 2.2.13 Expenditure Recognition

a) Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of statement of profit or loss the Directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.



## 3. PROPERTY, PLANT & EQUIPMENT

### 3.1 Gross Carrying Amounts

| | Balance As at 01.04.2017 USD | Additions /Transfers USD | Disposals /Transfers USD | Balance As at 31.03.2018 USD |
|---|---|---|---|---|
| **At Cost/Valuation** | | | | |
| Furniture & Fittings | 41,552 | 8,590 | - | 50,142 |
| Other Equipment | 35,845 | 73,495 | - | 109,340 |
| Computer Equipment | 114,432 | 49,195 | - | 163,627 |
| Office Equipment | 7,260 | 77 | - | 7,337 |
| Plant & Machinery | 48,929 | 251,939 | (2,142) | 298,726 |
| Motor Vehicle | 149,765 | | - | 149,765 |
| | 397,784 | 383,296 | (2,142) | 778,938 |
| Capital WIP | | 132,098 | | 132,098 |
| | - | 132,098 | - | 132,098 |
| **Asset on Finance Lease** | | | | |
| Motor Vehicle | 72,816 | - | (72,816) | - |
| | 72,816 | - | (72,816) | - |
| | 470,600 | 515,394 | (74,958) | 911,035 |

### 3.2 Depreciation

| | Balance As at 01.04.2017 USD | Charge for the Year USD | Disposals USD | Balance As at 31.03.2018 USD |
|---|---|---|---|---|
| **At Cost/Valuation** | | | | |
| Furniture & Fittings | 17,848 | 11,578 | - | 29,426 |
| Other Equipment | 5,246 | 23,109 | - | 28,355 |
| Computer Equipment | 72,215 | 36,845 | - | 109,060 |
| Office Equipment | 5,044 | 1,937 | - | 6,981 |
| Plant & Machinery | 5,240 | 28,255 | (179) | 33,316 |
| Motor Vehicle | 33,764 | 49,899 | - | 83,663 |
| | 139,357 | 151,624 | (179) | 290,801 |
| **Asset on Finance Lease** | | | | |
| Motor Vehicle | 50,541 | 22,275 | (72,816) | - |
| | 189,898 | 173,899 | (72,995) | 290,801 |

### 3.4 Net Book Values

| | 2018 USD | 2017 USD |
|---|---|---|
| **At Cost/Valuation** | | |
| Furniture & Fittings | 20,716 | 23,704 |
| Other Equipment | 80,985 | 30,600 |
| Computer Equipment | 54,567 | 42,217 |
| Office Equipment | 356 | 2,216 |
| Plant & Machinery | 265,410 | 43,689 |
| Motor Vehicle | 66,102 | 116,001 |
| | 488,136 | 258,427 |
| **Asset on Finance Lease** | | |
| Motor Vehicles | - | 22,275 |
| | 488,136 | 280,702 |
| Capital WIP | 132,098 | - |
| | **620,234** | **280,702** |

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## 4. INTANGIBLE ASSETS

| | | 2018 USD Computer software |
|---|---|---|
| 4.1 | **Gross carrying amount** | |
| | As at 1 April 2017 | 129,682 |
| | Acquired during the year | 1,545 |
| | **As at 31st March 2018** | 131,227 |
| 4.2 | **Amortization** | |
| | As at 1 April 2017 | 40,644 |
| | Amortization for the year | 28,331 |
| | **As at 31st March 2018** | 68,975 |
| 4.3 | **Net book value** | |
| | As at 1 April 2017 | 89,038 |
| | **As at 31st March 2018** | 62,252 |

## 5. DEFERRED INCOME TAX ASSETS

Deferred income taxes are calculated on all temporary differences under the liability method. Temporary differences at the statement of financial position date are calculated using a tax rate of 12% applicable on profit on the expiry of the tax exemption period. The movement on the deferred income tax account is as follows:

| | Statement of Financial Position | | Statement of profit or loss and Other comprehensive income | |
|---|---|---|---|---|
| | 2018 USD | 2017 USD | 2018 USD | 2017 USD |
| **Deferred Tax Asset/(Liability)** | | | | |
| Tax Losses | 4,008 | 1,245 | 2,763 | (32,032) |
| Define Benefit Obligation | 22,374 | 17,618 | 4,756 | (4,258) |
| Capital Allowances for Tax purposes | (6,641) | (646) | (5,995) | (4,154) |
| Deferred Taxation Charge/(Reversal) | | | 1,524 | (40,444) |
| Net Deferred Tax Asset/(Liability) | 19,741 | 18,217 | | |

### 5.1 Reconciliation of Deferred Tax Charge / (Reversal)

| | | |
|---|---|---|
| Deferred Tax Charge/ (Reversal) reported in the Income Statement | (2,219) | 39,188 |
| Deferred Tax Charge/(Reversal) reported in Other Comprehensive Income | 695 | 1,257 |
| | (1,524) | 40,445 |

## 6. INVENTORIES

| | 2018 USD | 2017 USD |
|---|---|---|
| Raw Materials - Fabric and Trims | 518,379 | 543,015 |
| Semi-Finished Goods | 94,513 | - |
| Finished Goods | 117,000 | - |
| Stationaries and General Consumables | 24,740 | - |
| | 754,632 | 543,015 |

## 7. TRADE RECEIVABLES

| | 2018 USD | 2017 USD |
|---|---|---|
| Trade Receivables from parent company [Note 25.2 (iii)] | 8,988,270 | 2,881,469 |
| | 8,988,270 | 2,881,469 |

As at 31 March 2018 , the ageing analysis of trade receivables is as follows:

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| | Total USD | Neither past due nor Impaired USD | Past due but not impaired 31-60 days USD | 61-90 days USD | 91-120 days USD | >120 days USD |
|---|---|---|---|---|---|---|
| Trade Debtors - Related Parties | 8,988,270 | 994,727 | 1,078,409 | 506,022 | 415,729 | 5,993,383 |
| | 8,988,270 | 994,727 | 1,078,409 | 506,022 | 415,729 | 5,993,383 |

## 8. AMOUNTS DUE FROM RELATED PARTIES

| | Relationship | 2018 USD | 2017 USD |
|---|---|---|---|
| Techno Design HK Ltd | Affiliate | 55,718 | 6,764 |
| FX Import Hong Kong Limited | Affiliate | - | 600,229 |
| Poeticgem International Limited | Affiliate | 1,004,182 | 1,004,182 |
| | | 1,059,900 | 1,611,175 |

## 9. OTHER TAXES RECOVERABLE

| | 2018 USD | 2017 USD |
|---|---|---|
| VAT Recoverable | 20,569 | 43,519 |
| ESC Receivables | 47,839 | 19,632 |
| | 68,408 | 63,151 |

## 10. OTHER RECEIVABLES AND ADVANCES

| | 2018 USD | 2017 USD |
|---|---|---|
| Advance to Vendors | 2,022,009 | 2,410,681 |
| Other Advances | 446,696 | 143,262 |
| | 2,468,705 | 2,553,943 |

## 11. CASH AND BANK BALANCES

| | 2018 USD | 2017 USD |
|---|---|---|
| Cash in hand and bank | 89,186 | 149,330 |
| Cash & cash equivalents for the purpose of cash flows | 89,186 | 149,330 |
| Bank overdrafts | (1,037,747) | (5,623) |
| Cash & Bank balances | (948,561) | 143,707 |

## 12. STATED CAPITAL

| | 2018 Number | 2017 Number |
|---|---|---|
| Number of Ordinary Shares issued and fully paid | 6,442,500 | 6,442,500 |

| | 2018 USD | 2017 USD |
|---|---|---|
| Fully Paid Ordinary Shares | 523,499 | 523,499 |

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## 13. RETIREMENT BENEFIT OBLIGATION

| | 2018 USD | 2017 USD |
|---|---|---|
| **Statement of financial position obligation for:** | | |
| Gratuity | 186,447 | 146,820 |

| **Changes in the present value of the defined benefit obligation are as follows:** | 2018 USD | 2017 USD |
|---|---|---|
| Defined Benefit Obligation as at the beginning of the Year | 146,820 | 182,299 |
| Transferred In | 23,400 | - |
| Current Service Cost | 55,622 | 31,220 |
| Actuarial Loss/ (Gain) | (5,789) | (10,472) |
| Exchange Difference | 2,041 | (20,903) |
| Benefits Paid | (35,647) | (35,323) |
| Defined Benefit Obligation as at the end of the Year | 186,447 | 146,820 |

(b) The total charge included in the administrative expenses.

An actuarial valuation was carried out by the professionally qualified actuary Actuarial & Management Consultants (Pvt) Limited. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method".

### 13.1 Acturial Assumption

| | 2018 | 2017 |
|---|---|---|
| Discount rate assumed | 10% | 11% |
| Future salary escalation | 5% | 7% |
| Retirement Age | 55 Years | 55 Years |

### 13.2 Sensitivity of assumptions employed in actuarial valuation

| *Increase/(Decrease) in Discount Rate* | *Increase/(Decrease) in Salary escalation Rate* | **Effect on the Present value of Defined Benefit Obligation 2018** *USD* |
|---|---|---|
| 1% | - | 151,101 |
| -1% | - | 159,247 |
| - | 1% | 159,911 |
| - | -1% | 150,403 |

## 14. TRADE PAYABLES

| | 2018 USD | 2017 USD |
|---|---|---|
| Trade payables | 656,257 | 901,411 |
| | 656,257 | 901,411 |

## 15. AMOUNTS DUE TO RELATED PARTIES

| | Relationship | 2018 USD | 2017 USD |
|---|---|---|---|
| Nor Lanka Manufacturing Limited [Note 24] | Parent | 10,982,620 | 6,095,314 |
| | | 10,982,620 | 6,095,314 |

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## 16. BORROWINGS

| | 2018 USD | 2017 USD |
|---|---|---|
| **Non-current** | | |
| Finance lease liabilities [See Note (c) below] | - | 12,642 |
| | - | 12,642 |
| **Current** | | |
| Bank overdraft | 1,037,747 | 5,623 |
| Short term borrowings | 1,000,000 | 750,000 |
| Finance lease liabilities [See Note (c) below] | - | 17,457 |
| | 2,037,747 | 773,080 |
| Total Borrowings | 2,037,747 | 785,722 |

(a) Total borrowings includes secured liabilities amounting to USD 2,037,747 (2017 - USD 785,722). Short term borrowings and bank overdrafts are secured by corporate guarantees from Nor Lanka Manufacturing Limited, the immediate parent company. In addition short term bank borrowings which consist of packing credit loans are also secured by a floating charge over corresponding inventories.

(b) The interest rate exposure of the borrowings of the Company are as follows:

| | 2018 USD | 2017 USD |
|---|---|---|
| Total borrowings | | |
| - at floating rates | 2,037,747 | 755,623 |
| - at fixed rates | - | 30,099 |
| | 2,037,747 | 785,722 |

| | 2018 | 2017 |
|---|---|---|
| Weighted average interest rates | | |
| - bank overdrafts | 1.5% | 3.5% |
| - short term borrowings | 6.3% | 4.7% |
| - finance lease liabilities | - | 10.0% |

(c) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

| | 2018 USD | 2017 USD |
|---|---|---|
| **Gross finance lease liabilities – minimum lease payments** | | |
| - No later than 1 year | - | 18,945 |
| - Later than 1 year and no later than 5 years | - | 13,719 |
| | - | 32,664 |
| Future finance charges on finance leases | - | (2,565) |
| Present value of finance lease liabilities | - | 30,099 |
| **Present value of finance lease liabilities is as follows:** | | |
| - No later than 1 year | - | 17,457 |
| - Later than 1 year and no later than 5 years | - | 12,642 |
| | - | 30,099 |



## 17. REVENUE

| | 2018 USD | 2017 USD |
|---|---|---|
| Sales [Note 23.2 (i)] | 5,641,393 | 7,852,649 |
| | 5,641,393 | 7,852,649 |

Sales of the Company wholly consists of proceeds received / receivable from trading of garments to Nor Lanka Manufacturing Limited, the parent company.

## 17.1 Other Income

| | 2018 USD | 2017 USD |
|---|---|---|
| Sales - Scrap | 159,562 | 53,519 |
| Sales - Other | 59,704 | - |
| RM Recoveries | 19,549 | 208,523 |
| Penalty on suppliers | 4,333 | 29,317 |
| Gain on Sale of Asset | 45,285 | |
| Miscellaneous Income | 135 | 54 |
| Commission Income | 320,766 | - |
| | 609,334 | 291,414 |

## 18. PROFIT FROM OPERATIONS

| Stated after Charging / (Crediting) | 2018 USD | 2017 USD |
|---|---|---|
| Auditors' remuneration - audit | 14,194 | 19,899 |
| Depreciation on plant and equipment (Note 3) | | |
| - owned assets | 151,624 | 95,601 |
| - leased assets | 22,275 | 24,272 |
| Amortization charge of intangible assets (Note 4) | 28,331 | 21,099 |
| Repair and maintenance expenditure | 66,085 | 47,346 |
| Operating lease rentals - property | 32,253 | 4,409 |
| Employee benefit expenses (Note 13) | 55,622 | 31,220 |

## 19. FINANCE INCOME AND COSTS - NET

| | 2018 USD | 2017 USD |
|---|---|---|
| **19.1 Finance income** | | |
| Interest income | 12,258 | 6,959 |
| Net foreign exchange transaction and translation gains | 199,032 | 167,926 |
| | 211,290 | 174,885 |
| **19.2 Finance cost** | | |
| - bank overdrafts | 15,606 | 11,801 |
| - bank borrowings | 63,409 | 47,418 |
| | 79,015 | 59,219 |

## 20. INCOME TAX

**The major components of income tax expense for the year ended 31 December are as follows :**

| | 2018 USD | 2017 USD |
|---|---|---|
| **Current Income Tax** | | |
| Current Income Tax Charge (20.1) | - | - |
| Under Provision of current taxes in respect of prior year | - | (21,477) |
| | - | (21,477) |
| **Deferred Income Tax** | | |
| Deferred Taxation Charge/(Reversal) (5.1) | (2,219) | 39,188 |
| **Income tax expense reported in the Income Statement** | (2,219) | 17,711 |

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20. INCOME TAX (Contd...)

| 20.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows : | 2018 USD | 2017 USD |
|---|---|---|
| Accounting Profit Before Income Tax | (446,118) | (407,554) |
| Non business income-Other Income | (88,277) | (85,980) |
| Non Deductible Expenses | 303,998 | 255,253 |
| Deductible Expenses/Income | (246,775) | (103,513) |
| Interest Income - FCBU | (272) | (2,668) |
| Profit from Trade or Business | (477,444) | (344,461) |
| Other Income | 88,277 | 85,980 |
| Total Statutory Income | (389,167) | (258,482) |
| Tax Loss Utilized | - | - |
| Taxable Income | (389,167) | (258,482) |
| Income Tax Expense | | |
| Business Income at 10% (2017 - 10%) | - | - |
| Other Income at 28% | - | - |
| Income tax on current Year's profit | - | - |

20.2 The company is liable to income tax on business profit at a concessionary tax rate of 10% if the turnover is less than USD 10 Mn and above USD 5 Mn (2015- Exempt from tax as the turnover if greater than USD 25 Mn and has completed the two years period after commencing commercial operations). Company is liable to income tax on other income at the rate of 28% in terms of Inland Revenue Act No.10 of 2006 and amendments there to.

## 21. BASIC EARNING/(LOSS) PER SHARE

21.1 Basic Earning/(Loss) Per Share is calculated by dividing the net profit/(Loss) for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

21.2 The following reflects the income and share data used in the basic Earning/(Loss) Per Share computation.

| | Company | |
|---|---|---|
| | 2018 USD | 2017 USD |
| **Amount used as the Numerator** | | |
| Net profit/(loss) attributable to ordinary equity holders of the Company for basic Earning/(Loss) Per Share | (443,899) | (348,276) |
| | **2018 Number** | **2017 Number** |
| **Number of Ordinary Shares Used as the Denominator** | | |
| Weighted Average number of Ordinary Shares in issue | 6,442,500 | 6,442,500 |

## 22. COMMITMENTS AND CONTINGENCIES

### 22.1 Commitments

**Capital Commitments**
There were no material capital commitments existing at the financial position date.

**Operating lease commitments**
The Company has a monthly commitment to pay USD 4,326 as rent for office premises. There were no other material operating commitments outstanding at the statement of financial position date.

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### 22.2 Contingencies

There were no material contingencies existing at the financial position date

## 23. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

### 23.1 Transactions with Key Management Personnel of the Company or Parent

Key management personnel include all members of the Board of Directors of the Company who have authority and responsibility for planning directing and controlling the activities of the Company, directly or indirectly. No compensation paid to key management during the year.

### 23.2 Transactions with other related parties

Transactions with entities that are controlled, jointly controlled or significantly influenced by key management personnel.

The Company is controlled by Nor Lanka Manufacturing Limited incorporated in Hong Kong which owns 100% of Company's stated capital and is considered to be the immediate parent company. The ultimate parent company of the Group is Pearl Global Industries Limited, incorporated in India.

| The following transactions were carried out with the related parties: | 2018 USD | 2017 USD |
|---|---|---|
| *(i) Sale of goods and services:* | | |
| Sale of goods: | | |
| Nor Lanka Manufacturing Limited (Note 17) | 5,641,393 | 7,852,649 |

(ii) Nor Lanka Manufacturing Limited, the immediate parent company, has provided a corporate guarantee amounting to USD 1,000,000 for bank borrowings of the Company.

| **Outstanding balances arising on sales / purchases to / from parent company:** | 2018 USD | 2017 USD |
|---|---|---|
| (iii) Receivables from parent company: | | |
| Nor Lanka Manufacturing Limited | 8,988,270 | 2,881,469 |
| (iv) Payable to parent company: | | |
| Nor Lanka Manufacturing Limited | 10,982,619 | 6,095,314 |

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## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The Company has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks. The Company's senior management determine on financial risks and the appropriate financial risk governance framework for the Company. The financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Company's exposure to Market risk comprise of currency risk. Financial instruments affected by market risk include trade and other receivable, trade and other payables and due to related parties.

### Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from deposits with banks.

### Trade receivables

Company's main customer is the parent company. The outstanding balance from the main customer amounting to 80% of the total trade receivable. Impairment is analysed at each reporting date on an individual basis.

### Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables and deposits with banks and are disclosed in Note 7 respectively.

### Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| | Total | On demand USD | Less than 3 months USD | 3 to 12 months USD | Over 12 months USD |
|---|---|---|---|---|---|
| Trade Payables | 656,257 | 118,179 | 538,078 | - | - |
| Amount due to related parties | 10,982,620 | (139,245) | 2,089,687 | 4,159,248 | 4,872,930 |
| Other Payables and accrued expenses | 627,297 | - | 276,806 | 140,969 | 209,522 |
| Borrowings | 2,037,747 | 1,037,747 | 1,000,000 | - | - |
| | 14,303,921 | 1,016,681 | 3,904,571 | 4,300,216 | 5,082,452 |

## 25. FAIR VALUE MEASUREMENT

Financial instruments of the Company reflected at amortised cost in these financial statements included cash, cash equivalents, trade receivables, other receivables, trade and other payables.

The management assess that the fair value all financial instruments approximate their carrying amount largely due to the short term maturities and market based interest rates of these instruments

ERNST & YOUNG Chartered Accountants COLOMBO

# Razamtazz Limited

## Financial statements

## For the year ended 31 March 2018

**Razamtazz Limited**

Financial statements
*for the year ended 31 March 2018*

*Contents* *Pages*


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**Razamtazz Limited**

## Corporate data

| | | |
|---|---|---|
| **Director:** | Deepak Kumar Seth | (Appointed on 13 January 2014) |
| | Payel Seth | (Appointed on 13 January 2014) |
| | Pallak Seth | (Appointed on 13 January 2014) |
| | Deven Coopoosamy | (Appointed on 01 March 2018) |
| | Sharmil Shah | (Appointed on 01 March 2018) |
| | Sheik Mohamad Ally Shameem Kureemun | (Appointed on 01 March 2018 as permanent alternate to Deven Coopoosamy) |
| | Navin Nagawa | (Appointed on 01 March 2018 as permanent alternate to Sharmil Shah) |
| | Jayechund Jingree | (Appointed on 13 January 2014 and resigned on 01 March 2018) |
| | Sushil Kumar Jogoo | (Appointed on 13 January 2014 and resigned on 01 March 2018) |
| **Registered agent:** | Rogers Capital Corporate Services Limited<br>St Louis Business Centre<br>Cnr Desroches & St Louis Streets<br>Port Louis<br>Republic of Mauritius | |
| **Auditor:** | Lancasters<br>Chartered Accountants<br>14, Lancaster Court<br>Lavoquer Street<br>Port Louis<br>Republic of Mauritius | |
| **Banker:** | HSBC Bank (Mauritius) Limited<br>6th Floor, HSBC Centre<br>Ebène<br>Republic of Mauritius | |

## Razamtazz Limited

### Directors' report

The Directors are pleased to present their report together with the audited financial statements of Razamtazz Limited (the "Company") for the year ended 31 March 2018.

### Principal activity

The principal activity of the Company is that of trading/ development in real estate, trading of bond and equity investments.

### Results and dividend

The results for the year are shown on page 6.

The Directors do not recommend the payment of dividend for the year under review (2017: nil).

### Statement of Directors' responsibilities in respect of the financial statements

Company law requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and of the statement of profit or loss and other comprehensive income of the Company. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) have been followed and complied with, subject to any material departures disclosed and explained in the financial statements; 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 responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

**By order of the Board**

**Director**

Date: 23 MAY 2018

Lancasters
Chartered Accountants

## Auditors' report to member of Razamtazz Limited

### *Opinion*

We have audited the financial statements of Razamtazz Limited (the "Company") set out on pages 6 to 31 which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements nor our auditor's report thereon.

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

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

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

## Auditors' report to member of Razamtazz Limited (continued)

***Responsibilities of the Directors for the Financial Statements (continued)***

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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Lancasters
Chartered Accountants

**Auditors' report to member of Razamtazz Limited (continued)**

***Other matter***

This report is made solely for the Company's member. Our audit work has been undertaken so that we might state to the Company's member 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 member, for our audit work, for this report, or for the opinions we have formed.

Lancasters

**Lancasters,**
Chartered Accountants
14, Lancaster Court
Lavoquer Street
Port Louis
Mauritius

**Pasram Bissessur FCCA, ACA, MBA (UK)**
*Licensed by FRC*

Date: 23 MAY 2019

GGi
INDEPENDENT MEMBER

**Razamtazz Limited**

**Statement of profit or loss and other comprehensive income**
*for the year ended 31 March 2018*

| | Note | 2018 GBP | 2017 GBP |
|---|---|---|---|
| Revenue | 6 | **222,022** | 223,223 |
| Expenses | | **(239,879)** | (308,470) |
| **Loss from operating activities** | | **(17,857)** | (85,247) |
| Net finance costs | 7 | **(285,659)** | (119,733) |
| Gain on sale of available-for-sale investments | | **53,639** | - |
| Gain on sale of bonds | | **10,086** | 13,930 |
| **Loss before taxation** | | **(239,791)** | (191,050) |
| Taxation | 8 | **-** | - |
| **Loss for the year** | | **(239,791)** | (191,050) |
| Other comprehensive income | | **2,803** | (2,803) |
| **Total comprehensive loss for the year** | | **(236,988)** | (193,853) |

The notes on pages 10 to 31 form part of these financial statements

**Razamtazz Limited**

**Statement of financial position**
*at 31 March 2018*

| | Note | 2018 GBP | 2017 GBP |
|---|---|---|---|
| **Assets** | | | |
| **Non-currents assets** | | | |
| Available-for-sale investments | 9 | **9,824** | 304,652 |
| Investment property | 10 | **4,824,297** | 4,939,594 |
| Held-to-maturity investments | 11 | **-** | 1,313,498 |
| Receivable | 12 | **1,190** | 1,190 |
| **Total non-current assets** | | **4,835,311** | 6,558,934 |
| **Current assets** | | | |
| Other receivables | 13 | **184,814** | 82,633 |
| Cash and cash equivalents | | **138,085** | 130,536 |
| **Total current assets** | | **322,899** | 213,169 |
| **Total assets** | | **5,158,210** | 6,772,103 |
| **Equity** | | | |
| Stated capital | 14 | **1** | 1 |
| Retained earnings | | **4,493,501** | 4,733,292 |
| Fair-value reserve | | **-** | (2,803) |
| **Total equity** | | **4,493,502** | 4,730,490 |
| **Current liabilities** | | | |
| Bank loan | 15 | **-** | 795,393 |
| Other payables | 16 | **664,708** | 1,246,220 |
| **Total current liabilities** | | **664,708** | 2,041,613 |
| **Total equity and liabilities** | | **5,158,210** | 6,772,103 |

These financial statements have been approved by the Board of Directors on 23 MAY 2018 and signed on its behalf by:

..... *Director*

..... *Director*

The notes on pages 10 to 31 form part of these financial statements

## Razamtazz Limited

**Statement of changes in equity**
*for the year ended 31 March 2018*

| | Stated capital GBP | Retained earnings GBP | Fair value Reserve GBP | Total equity GBP |
|---|---|---|---|---|
| Balance at 01 April 2016 | 1 | 4,924,342 | - | 4,924,343 |
| **Total comprehensive loss for the year** | | | | |
| Loss for the year | - | (191,050) | - | (191,050) |
| Net change in fair value of available-for-sale investments | - | - | (2,803) | (2,803) |
| Balance at 01 April 2017 | 1 | 4,733,292 | (2,803) | 4,730,490 |
| **Total comprehensive loss for the year** | | | | |
| Loss for the year | | (239,791) | - | (239,791) |
| Net change in fair value of available-for-sale investments | - | - | 2,803 | 2,803 |
| **Balance at 31 March 2018** | 1 | **4,493,501** | - | **4,493,502** |

The notes on pages 10 to 31 form part of these financial statements

**Razamtazz Limited**

**Statement of cash flows**
*for the year ended 31 March 2018*

| | 2018 GBP | 2017 GBP |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | **(239,791)** | (191,050) |
| *Adjustments for*: | | |
| Depreciation | **131,920** | 141,457 |
| Gain on sale of available-for-investments | **(53,639)** | - |
| Gain on sale of bonds | **(10,086)** | (13,930) |
| Exchange difference | **225,845** | (204,944) |
| | **54,249** | (268,467) |
| Change in other receivables | **64,141** | 111,376 |
| Change in other payables | **(454,054)** | (1,040) |
| **Net cash used in operating activities** | **(335,664)** | (158,131) |
| **Cash flows from investing activities** | | |
| Proceeds from sale of bonds | **1,141,607** | 263,930 |
| Proceeds from sale of available-for-sale investments | **226,626** | - |
| Acquisition of furniture | **(16,623)** | - |
| Advance to holding company | **(166,322)** | - |
| Acquisition of available-for-sale investments | - | (307,455) |
| Acquisition of bonds | - | (133,955) |
| **Net cash from/ (used in) investing activities** | **1,185,288** | (177,480) |
| **Cash flows from financing activities** | | |
| Repayment to related companies | **(46,682)** | (449,635) |
| Movement in short term loan | **(795,393)** | 140,528 |
| Advances from related company | - | 768,268 |
| **Net cash (used in)/ from financing activities** | **(842,075)** | 459,161 |
| Increase in cash and cash equivalents | **7,549** | 123,550 |
| Cash and cash equivalents at beginning of the year | **130,536** | 6,986 |
| **Cash and cash equivalents at end of the year** | **138,085** | 130,536 |

The notes on pages 10 to 31 form part of these financial statements

## 1. General information

The Company was incorporated as a private limited company on 30 May 2007 and was granted a Category 2 Global Business Licence on 31 May 2007. The principal activity of the Company is that of trading/ development in real estate, trading of bond and equity investments.

## 2. Basis of preparation

*(a) Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

*(b) Basis of measurement*

The financial statements have been prepared under the historical cost basis except where stated otherwise.

*(c) Functional and presentation currency*

The financial statements are presented in Great Britain Pound (GBP) which is the Company's functional currency and presentation currency.

*(d) Use of judgements and estimates*

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumption and estimation uncertainties

Information about assumptions and estimation uncertainties (if any) that have a significant risk of resulting in a material adjustment in the year ended 31 March 2018 is included in the relevant notes as follows:

- Impairment test: key assumptions underlying recoverable amounts,
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

2. **Basis of preparation (continued)**

*(d) Use of judgements and estimates (continued)*

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. **Application of new and revised International Financial Reporting Standards (IFRSs)**

**3.1 Amendments to IFRSs that is mandatorily effective for the current year**

***Disclosure Initiative (Amendments to IAS 7)***

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

3. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

**3.2 Summary of Standards and Interpretations not yet effective for 31 March 2018**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on of after 31 March 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

| ***Standard/Interpretation*** | | ***Date issued by IASB*** | ***Effective date Periods beginning on or after*** |
|---|---|---|---|
| IFRS 15 | *Revenue from contracts with customers* | May 2014 | 1 January 2018 |
| IFRS 9 | *Financial Instruments* | July 2014 | 1 January 2018 |
| IFRIC 22 | *Foreign Currency Transactions and Advance Considerations* | December 2016 | 1 January 2018 |
| IFRIC 23 | *Uncertainty over Income Tax Treatments* | June 2017 | 1 January 2019 |

**IFRS 15 Revenue from contracts with customers**

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services.*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

3. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

**3.2 Summary of Standards and Interpretations not yet effective for 31 March 2018 (continued)**

**IFRS 9 *Financial Instruments***

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.*

This standard will have a significant impact, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

**IFRIC 22 *Foreign Currency Transactions and Advance Considerations***

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

***IFRIC 23* Uncertainty over Income Tax Treatments**

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

## 4. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

*Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated in the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income (OCI):

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

*Revenue recognition*

Revenue is recognised in the profit or loss as follows:

- Dividend income: when the Company's right to receive payment is established.
- Rental income: arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

*Finance income and costs*

The Company's finance income and costs include:

- Interest income on bonds
- Interest paid on loan
- Foreign exchange differences

Interest income and expense are recognised using the effective interest method.

*Expenses*

All expenses are recognised in profit or loss on an accrual basis.

4. **Significant accounting policies (continued)**

*Investment properties*

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. The Directors have elected to recognise the investment property using the cost model. Such properties are measured initially at costs, including transaction costs and any direct attributable expenditure, and subsequently at cost less accumulated depreciation and any impairment.

Any gain or loss on disposal recognised in the statement profit or loss and other comprehensive income in the year the investment property is derecognised is the difference between the net sales proceeds and the carrying amount of the property.

*Depreciation*

Depreciation is recognised in statement profit or loss and other comprehensive income on a straight line basis over the estimated useful life of each part of an item of investment property. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Buildings | 2% straight line basis |
| Fixtures, fittings and equipment | 25% straight line basis |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes indicate the carrying value may not be recoverable. If any such indication exists and carrying values exceed recoverable amounts such assets are written down to their recoverable amounts.

*Financial instruments*

The Company classifies non-derivative financial assets into the following categories: available-for-sale investments and loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

4. **Significant accounting policies (continued)**

*Financial instruments (continued)*

*(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition*

The Company initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*(ii) Non-derivative financial assets - Measurement*

*Available-for-sale investment*

Investments are valued in accordance with IAS 39 and have been classified as available-for-sale.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

On disposal, the profit or loss recognised in the statement of profit or loss and other comprehensive income is the difference between proceeds and carrying amount of the asset.

*Held-to-maturity investments*

Bonds are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. After each year end, the Company assess its intent and ability to hold its held-to-maturity investments.

At reporting date, the Company dispose all of its bonds.

4. **Significant accounting policies (continued)**

*Financial instruments (continued)*

*(ii) Non-derivative financial assets – Measurement (continued)*

*Loans and receivables* - These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables comprise of other receivables and cash and cash equivalents.

*Other receivables*

Other receivables are stated at cost less impairment.

*Cash and cash equivalents*

Cash comprises cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

*(iii) Non-derivative financial liabilities - Measurement*

Other non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise of other payables.

*Other payables*

Other payables are stated at amortised cost.

*Stated capital - Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

4. **Significant accounting policies (continued)**

*Impairment of non-financial assets*

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*Provisions*

A provision is recognised if, as a result of a past event, the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

*Non-derivative financial liabilities*

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

*Related parties*

Related parties may be individuals or other entities where the individual or other entities has the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in governing the financial and operating policies, or vice versa, or where the Company are subject to common control of common significant influence.

## 5. Financial instruments – Fair values and risk management

### *(a) Accounting classifications and fair values*

| 31 March 2018 | Loans and receivables GBP | Other financial liabilities GBP | Total GBP | Level 1 GBP | Level 2 GBP | Level 3 GBP | Total GBP |
|---|---|---|---|---|---|---|---|
| **Financial assets not measured at fair value** | | | | | | | |
| Available-for-sale investments | **9,824** | - | **9,824** | - | - | - | - |
| Other receivables | **184,738** | - | **184,738** | - | - | - | - |
| Receivable | **1,190** | - | **1,190** | - | - | - | - |
| Cash and cash equivalents | **138,085** | - | **138,085** | - | - | - | - |
| | **333,837** | - | **333,837** | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Other payables | - | **664,708** | **664,708** | - | - | - | - |
| | - | **664,708** | **664,708** | - | - | - | - |

5. **Financial instruments – Fair values and risk management (continued)**

*(a) Accounting classifications and fair values (continued)*

| 31 March 2017 | Loans and receivables GBP | Other financial liabilities GBP | Total GBP | Level 1 GBP | Level 2 GBP | Level 3 GBP | Total GBP |
|---|---|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | | | |
| Available-for-sale investments | 294,828 | - | 294,828 | 294,828 | - | - | 294,828 |
| **Financial assets not measured at fair value** | | | | | | | |
| Available-for-sale investments | 9,824 | - | 9,824 | - | - | - | - |
| Held-to-maturity investment | 1,313,498 | - | 1,313,498 | - | - | - | - |
| Other receivables | 82,561 | - | 82,561 | - | - | - | - |
| Receivable | 1,190 | - | 1,190 | - | - | - | - |
| Cash and cash equivalents | 130,536 | - | 130,536 | - | - | - | - |
| | 1,832,437 | - | 1,832,437 | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Bank loan | - | 795,393 | 795,393 | - | - | - | - |
| Other payables | - | 1,246,220 | 1,246,220 | - | - | - | - |
| | - | 2,041,613 | 2,041,613 | - | - | - | - |

## 5. Financial instruments – Fair values and risk management (continued)

*(b) Financial risk management*

*Introduction and preview*

Financial instruments carried on the statement of financial position include available-for-sale investments, held to maturity investment, receivables, other receivables, cash and cash equivalents, bank loan and other payables. The recognition method adopted is disclosed in the individual policy statement associated with each item. The most important types of risk are market risk, credit risk and liquidity risk.

The Company's activities expose them to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aims are therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews their risk management policies and systems to reflect changes in markets and emerging best practice.

*Overview*

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

*Market risk*

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

- *Currency risk*

The Company has financial instruments denominated in United States Dollar (USD). Consequently, the Company is exposed to the risk that the exchange rate of the GBP relative to USD may change in a manner, which has an effect on the reported values of the Company's financial assets which are denominated in GBP.

5. **Financial instruments – Fair values and risk management (continued)**

*(b) Financial risk management (continued)*

*Market risk (continued)*

- *Currency risk (continued)*

The exposures to currency risk at the reporting date are as follows:

| | **Financial assets 2018 GBP** | **Financial liabilities 2018 GBP** | Financial Assets 2017 GBP | Financial liabilities 2017 GBP |
|---|---|---|---|---|
| GBP | **333,837** | **22,649** | 553,998 | 276,847 |
| USD | **-** | **642,059** | 1,278,439 | 1,764,766 |
| | **333,837** | **664,708** | 1,832,437 | 2,041,613 |

*Sensitivity analysis – Currency risk*

At 31 March 2018, if the exchange rate has strengthened by 5% against the following currencies the result would be as shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

| **Currency** | **Increase/(decrease) in foreign exchange rates 2018** | **Effect on profit after tax and equity 2018 USD** | Increase/(decrease) in foreign exchange rates 2017 | Effect on profit after tax and equity 2017 USD |
|---|---|---|---|---|
| USD | **+5%** | **32,103** | +5% | 23,158 |
| USD | **-5%** | **(32,103)** | -5% | (25,596) |

- *Interest rate risk*

The Company is not exposed to interest rate risk because they borrow and lend funds at fixed interest rate. The income and operating cash flows are substantially independent of changes in market interest rates.

5. **Financial instruments – Fair values and risk management (continued)**

*(b) Financial risk management (continued)*

*Market risk (continued)*

- *Interest rate risk (continued)*

The exposure to interest rate risk at the reporting date was as follows:

| | Carrying amount 2018 GBP | Carrying amount 2017 GBP |
|---|---|---|
| **Fixed rate instrument** | | |
| **Financial assets** | | |
| Held to maturity investment | - | 1,313,498 |
| **Financial liabilities** | | |
| Bank loan | - | 795,393 |

**Credit risk**

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit risk at the reporting date was:

| | 2018 GBP | 2017 GBP |
|---|---|---|
| Available-for-sale investments | **9,824** | 304,652 |
| Receivables | **1,190** | 1,190 |
| Other receivables | **184,738** | 82,561 |
| Cash and cash equivalents | **138,085** | 130,536 |
| Held to maturity investment | - | 1,313,498 |
| | **333,837** | 1,832,437 |

5. **Financial instruments – Fair values and risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

| *31 March 2018* | **Within one year GBP** | **One to five years GBP** | **Total GBP** |
|---|---|---|---|
| **Financial liabilities** | | | |
| Other payables | **664,708** | **-** | **664,708** |
| **Total financial liabilities** | **664,708** | **-** | **664,708** |

| *31 March 2017* | Within one year GBP | One to five years GBP | Total GBP |
|---|---|---|---|
| Financial liabilities | | | |
| Bank loan | 795,393 | - | 795,393 |
| Other payables | 1,246,220 | - | 1,246,220 |
| Total financial liabilities | 2,041,613 | - | 2,041,613 |

6. **Revenue**

| | **2018 GBP** | 2017 GBP |
|---|---|---|
| Rental fee income | **221,000** | 221,000 |
| Dividend income | **1,022** | 2,223 |
| | **222,022** | 223,223 |

## 7. Net finance costs

| | 2018 GBP | 2017 GBP |
|---|---|---|
| *Finance income* | | |
| Interest income | **2** | 83,600 |
| Foreign exchange gain | **51,600** | 372,618 |
| | **51,602** | 456,218 |
| *Finance costs* | | |
| Interest expense | **(200,147)** | (166,131) |
| Foreign exchange loss | **(137,114)** | (409,820) |
| | **(337,261)** | (575,951) |
| **Net finance costs** | **(285,659)** | (119,733) |

## 8. Taxation

The Company holds a Category 2 Global Business Licence and is exempt from Income Tax under the Mauritian laws.

## 9. Available-for-sale investments

Investment consists of quoted and unquoted shares.

| | *Quoted investments* | | *Unquoted investment* | | *Total* | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **GBP** | GBP | **GBP** | GBP | **GBP** | GBP |
| *Cost* | | | | | | |
| At 01 April | **297,631** | - | **9,824** | - | **307,455** | - |
| Addition | **-** | 297,631 | **-** | 9,824 | **-** | 307,455 |
| Disposal | **(297,631)** | - | **-** | | **(297,631)** | - |
| Balance at 31 March | **-** | 297,631 | **9,824** | 9,824 | **9,824** | 307,455 |
| *Unrealised appreciation/ (depreciation)* | | | | | | |
| At 01 April | **(2,803)** | - | **-** | - | **(2,803)** | - |
| Movement during the year | **2,803** | (2,803) | **-** | - | **2,803** | (2,803) |
| Balance at 31 March | **-** | (2,803) | **-** | - | **-** | (2,803) |
| **Fair value at 31 March** | **-** | 294,828 | **9,824** | 9,824 | **9,824** | 304,652 |

## 9. Available-for-sale investments (continued)

| | Number of units/ shares | 2018 GBP | 2017 GBP |
|---|---|---|---|
| **Quoted investments** | | | |
| Alphabet Inc. | | - | 19,927 |
| Amazon.Com | | - | 22,716 |
| Associated British Foods | | - | 180,622 |
| Facebook Inc. | | - | 22,747 |
| Reckitt Benckiser Group Plc | | - | 48,816 |
| **Unquoted investment** | | | |
| Down Street Freehold Company Ltd | 9,824 | **9,824** | 9,824 |
| **Balance at 31 March** | | **9,824** | 304,652 |

## 10. Investment property

| | Building GBP | Furniture and fittings GBP | Total GBP |
|---|---|---|---|
| *Cost* | | | |
| At 01 April 2017 | 5,858,911 | 637,921 | 6,496,832 |
| Addition during the year | - | 16,623 | 16,623 |
| **At 31 March 2018** | **5,858,911** | **654,544** | **6,513,455** |
| *Depreciation* | | | |
| At 01 April 2017 | 936,829 | 620,409 | 1,557,238 |
| Charge for the year | 116,536 | 15,384 | 131,920 |
| At 31 March 2018 | **1,053,365** | **635,793** | **1,689,158** |
| *Net book value* | | | |
| **Balance at 31 March 2018** | **4,805,546** | **18,751** | **4,824,297** |
| Balance at 31 March 2017 | 4,922,082 | 17,512 | 4,939,594 |

10. **Investment property (continued)**

The fair value of the investment property has been estimated at GBP 8,000,000. The valuation of the investment property was carried out by Strutt & Parker of 13 Hill Street, London W1J 5LQ on 4th May 2018.

The current Market and Projected Market Value of the leasehold interest on the special assumption of full vacant possession is estimated to GBP 8,000,000 (Eight Million Pound Sterlings).

The parent company has arrangements with HSBC. As a result, the bank has placed a legal charge over the property of the Company as first charge and second charge with HSBC.

11. **Held to maturity investment**

| | **2018** | 2017 |
|---|---|---|
| | **GBP** | GBP |
| *Cost* | | |
| At 01 April | **1,313,498** | 1,225,629 |
| Disposal during the year | **(1,313,498)** | (251,030) |
| Additions during the year | **-** | 133,955 |
| Revaluation during the year | **-** | 204,944 |
| **At 31 March** | **-** | 1,313,498 |

12. **Receivables**

| | **2018** | 2017 |
|---|---|---|
| | **GBP** | GBP |
| Receivable from related party | **1,190** | 1,190 |

## 13. Other receivables

| | 2018 GBP | 2017 GBP |
|---|---|---|
| Receivable | **166,322** | - |
| Rent receivable | **18,417** | 18,417 |
| Prepaid expenses | **75** | 72 |
| Interest receivable on bonds | **-** | 38,103 |
| Premium on bonds | **-** | 26,041 |
| | **184,814** | 82,633 |

## 14. Stated capital

| | 2018 GBP | 2017 GBP |
|---|---|---|
| *Stated capital* | | |
| 1 Ordinary share of GBP 1 each | **1** | 1 |

The share in issue is fully paid up.

The holder of ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company

## 15. Bank loan

| | 2018 GBP | 2017 GBP |
|---|---|---|
| Short term loan from UBS Bank | **-** | 795,393 |

## 16. Other payables

| | 2018 GBP | 2017 GBP |
|---|---|---|
| Payable to related companies | **644,316** | 1,226,830 |
| Deposit on rent | **17,000** | 17,000 |
| Other payables | **3,392** | 2,390 |
| | **664,708** | 1,246,220 |

## 17. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subject to common control.

A director of the Company is deemed to have beneficial interests in the service agreement between the Company, the administrator and Registered Agent.

During the year under review, the Company entered into the following related party transactions.

| | | **2018** **GBP** | 2017 GBP |
|---|---|---|---|
| *Transactions during the year* | *Nature* | | |
| Deepak Seth | Rent receivable | **221,000** | 221,000 |
| Deepak Seth | Rent received | **(202,583)** | (202,583) |
| Norwest Industries Limited | Loan paid | **264,057** | - |
| Norwest Industries Limited | Loan received | **-** | (264,057) |
| Norwest Industries Limited | Balance receivable | **166,322** | - |
| Norwest Industries Limited | Balance payable | **-** | (300,936) |
| Multinational Textile Group Limited | Advance repaid | **127,458** | 75,174 |
| Multinational Textile Group Limited | Advance received | **-** | (186,316) |
| Poeticgem Limited | Other expenses paid on behalf of the Company | **-** | 8,245 |
| Poeticgem Limited | Repayment of balance | **-** | 255,810 |
| Rogers Capital Corporate Services Limited | Professional fees payable | **8,666** | 7,820 |
| Rogers Capital Corporate Services Limited | Professional fees paid | **(8,666)** | (9,010) |
| *Balances outstanding at 31 March:* | | | |
| Deepak Seth | Rent receivable | **18,417** | 18,417 |
| Deepak Seth | Deposit payable | **(17,000)** | (17,000) |
| Norwest Industries Limited | Loan payable | **-** | (264,057) |
| Norwest Industries Limited | Balance receivable/ (payable) | **166,322** | (190,999) |
| Multinational Textile Group Limited | Balance payable | **(642,059)** | (769,517) |
| Frou Holdings Limited | Balance payable | **(2,257)** | (2,257) |
| Rogers Capital Corporate Services Limited | Professional fees payable | **-** | - |

## 17. Related party transactions (continued)

### Compensation to key management personnel

The Company did not pay any compensation to its key management personnel during the year under review (2017: nil).

## 18. Capital management

The Company actively and regularly reviews and manages its capital position to maintain a balance between its liability and equity level.

The management of the Company's capital position is undertaken by the management team of the Company. The management team ensures that the Company is adequately capitalised to meet economic and regulatory requirements. Capital injections and repatriations are executed in a timely fashion, working closely with the business and infrastructure groups. The management team meets on a regular basis and manages capital by taking into account key considerations which may include business developments, regulatory requirements, profitability and market movements such as foreign exchange and interest rate.

## 19. Contingencies

As part of the Second charge mentioned in note 10, the Company has entered into a Deed of Priority with the 'HSBC Private Bank (UK) Limited' and the 'HSBC Bank plc Company' on 11 August 2015 whereby the Bank's debt shall not exceed the sum of GBP 5,950,000 together with interest charges and other lawful expenses owing in respect thereof and secured by HSBC.

The Company has also entered into a Charge of Securities with the HSBC Private Bank (UK) Limited on 12 June 2015. By way of written resolution, the Board has approved to secure the Debt of Norwest Industries Limited, a company incorporated in Hong Kong whose registered office address is at 7/F Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

## 20. Holding and ultimate holding company

The immediate parent company of Razamtazz Limited is Norwest Industries Limited, a company registered in Hong Kong effective as from 24th March 2015 on its filing with the Registrar of Companies and the ultimate parent company is PDS Multinational Fashions Limited, a company registered in India, which is listed on the National and Bombay Stock Exchange of India.

## 21. Events after the reporting date

There has been no significant event after the reporting date which requires disclosure or amendment to these financial statements.

**Razamtazz Limited**

**Statement of profit or loss**
*for the year ended 31 March 2018*

| | 2018 GBP | 2017 GBP |
|---|---|---|
| **Revenue** | | |
| Rental income | **221,000** | 221,000 |
| Dividend income | **1,022** | 2,223 |
| | **222,022** | 223,223 |
| **Expenses** | | |
| Depreciation | **131,919** | 141,457 |
| Tax fees (HMRC) | **55,273** | 66,706 |
| Premium on bonds | **26,041** | 20,015 |
| Service charges | **11,853** | 36,468 |
| Accounting and audit fees | **6,056** | 5,167 |
| Administration fee | **3,392** | 2,890 |
| Brokerage fees | **2,466** | 2,682 |
| Bank charges | **1,373** | 1,287 |
| Custody fees | **1,273** | 2,106 |
| License fees | **200** | 200 |
| Telephone, fax and courier charges | **33** | - |
| Repairs and maintenance | **-** | 28,992 |
| Professional fees | **-** | 500 |
| | **239,879** | 308,470 |
| **Loss from operating activities** | **(17,857)** | (85,247) |
| Net finance costs | **(285,659)** | (119,733) |
| Gain on sale of available-for-sale investments | **53,639** | - |
| Gain on disposal of bonds | **10,086** | 13,930 |
| **Loss before taxation** | **(239,791)** | (191,050) |

Report of the Directors and Audited Financial Statements

Clover Collections Limited
(Formerly known as DS Manufacturing Limited)

31 March 2018

CERTIFIED TRUE COPY

ERNST & YOUNG

EY安永
Building a better working world

CLOVER COLLECTIONS LIMITED

(Formerly known as DS Manufacturing Limited)

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CLOVER COLLECTIONS LIMITED

(Formerly known as DS Manufacturing Limited)

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

## Change of company name

Pursuant to a special resolution of shareholders passed 7 February 2018, the Company's name was changed from DS Manufacturing Limited to Clover Collections Limited. The change of name was effective from 7 February 2018.

## Principal activity

The Company was inactive during the current and prior years.

## Results

The Company's loss for the year ended 31 March 2018 and its financial position at that date are set out in the financial statements on pages 6 to 20.

## Directors

The directors of the Company during the year were:

Pallak Seth
Deepak Kumar Seth
Payel Seth

In accordance with the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## Directors' interests

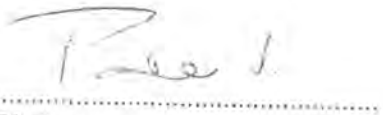
At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors
Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



.....
Chairman

Hong Kong
29 May 2018

Ernst & Young
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**Independent auditor's report**
**To the member of Clover Collections Limited**
**(Formerly known as DS Manufacturing Limited)**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the financial statements of Clover Collections Limited (the "Company") set out on pages 6 to 20, which comprises the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the financial statements**
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

**Independent auditor's report** (continued)
**To the member of Clover Collections Limited**
**(Formerly known as DS Manufacturing Limited)**
(Incorporated in Hong Kong with limited liability)

**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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Independent auditor's report** (continued)
**To the member of Clover Collections Limited**
**(Formerly known as DS Manufacturing Limited)**
(Incorporated in Hong Kong with limited liability)

**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 May 2018

CLOVER COLLECTIONS LIMITED

(Formerly known as DS MANUFACTURING LIMITED)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| REVENUE | 3 | - | - |
| Cost of sales | | - | - |
| Gross profit | | - | - |
| Other income and gain | 3 | 77,681 | - |
| Administrative expenses | | ( 28,737) | ( 25,402) |
| Other operating expenses | | ( 2,710) | ( 29,920) |
| PROFIT/(LOSS) BEFORE TAX | 4 | 46,234 | ( 55,322) |
| Income tax expense | 6 | - | - |
| PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | 46,234 | ( 55,322) |

CLOVER COLLECTIONS LIMITED

(Formerly known as DS MANUFACTURING LIMITED)

STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Prepayment, deposit and other receivable | | 26,938 | - |
| Due from a fellow subsidiary | 9(b) | 115,200 | - |
| Cash and cash equivalents | | 2,804 | 143,101 |
| Total current assets | | 144,942 | 143,101 |
| CURRENT LIABILITIES | | | |
| Accruals | 7 | 21,950 | 93,281 |
| Due to the immediate holding company | 9(b) | 18,239,697 | 18,239,697 |
| Due to a fellow subsidiary | 9(b) | 26,938 | - |
| Loan from the immediate holding company | 9(c) | 1,750,500 | 1,750,500 |
| Total current liabilities | | 20,039,085 | 20,083,478 |
| Net liabilities | | ( 19,894,143) | ( 19,940,377) |
| EQUITY | | | |
| Share capital | 8 | 1,556,000 | 1,556,000 |
| Accumulated losses | | ( 21,450,143) | ( 21,496,377) |
| Net deficiency in assets | | ( 19,894,143) | ( 19,940,377) |

.....
Pallak Seth
Director

.....
Deepak Kumar Seth
Director

CLOVER COLLECTIONS LIMITED

(Formerly known as DS MANUFACTURING LIMITED)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Share capital HK$ | Accumulated losses HK$ | Net deficiency in assets HK$ |
|---|---|---|---|
| At 1 April 2016 | 1,556,000 | ( 21,441,055) | ( 19,885,055) |
| Loss and total comprehensive loss for the year | - | ( 55,322) | ( 55,322) |
| At 31 March 2017 and 1 April 2017 | 1,556,000 | ( 21,496,377) | ( 19,940,377) |
| Profit and total comprehensive income for the year | - | 46,234 | 46,234 |
| At 31 March 2018 | 1,556,000 | ( 21,450,143) | ( 19,894,143) |

CLOVER COLLECTIONS LIMITED

(Formerly known as DS MANUFACTURING LIMITED)

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before tax | 46,234 | ( 55,322) |
| Increase in prepayment, deposit and other receivable | ( 26,938) | - |
| (Increase)/decrease in an amount due from a fellow subsidiary | ( 115,200) | 168,789 |
| (Decrease)/increase in accruals | ( 71,331) | 600 |
| Increase in an amount due to the immediate holding company | - | 10,000 |
| Increase in an amount due to a fellow subsidiary | 26,938 | - |
| Net cash flows from/(used in) operating activities | ( 140,297) | 124,067 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | ( 140,297) | 124,067 |
| Cash and cash equivalents at beginning of year | 143,101 | 19,034 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 2,804 | 143,101 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances | 2,804 | 143,101 |

## 1. CORPORATE INFORMATION

Clover Collections Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company was inactive during the current and prior years.

The Company is a wholly-owned subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

## 2.1 FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared on the going concern basis, notwithstanding that the Company had net liabilities at the end of the reporting period, as the Company's intermediate holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due.

## 2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$").

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[2] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Company is in the process of making an assessment of the impact of the revised HKFRSs upon initial application but not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's financial performance and financial position.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Financial assets

*Initial recognition and measurement*

Financial assets of the Company are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)
*Subsequent measurement of loans and borrowings* (continued)
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash at banks, including term deposits, which are not restricted as to use.

Provisions
A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency transactions

These financial statements are presented in HK$, which is the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## 3. REVENUE, OTHER INCOME AND GAINS

The Company did not generate any revenue during the current and prior years.

An analysis of the Company's other income and gains is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Reversal of over-accrual of expenses | 77,681 | - |

## 4. PROFIT/(LOSS) BEFORE TAX

The Company's profit/(loss) before tax is arrived at after charging:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Auditor's remuneration | 16,000 | 15,600 |

## 5. DIRECTORS' REMUNERATION

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

## 6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits in Hong Kong during the year ended 31 March 2018 (2017: Nil).

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the Hong Kong statutory rate of 16.5% (2017: 16.5%) to the tax at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

| 2018 | | 2017 | | |
|---|---|---|---|---|
| | HK$ | % | HK$ | % |
| Profit/(loss) before tax | 46,234 | | ( 55,322) | |
| Tax credit at the statutory tax rate | 7,629 | 16.5 | ( 9,128) | 16.5 |
| Tax losses not recognised | - | - | 9,128 | ( 16.5) |
| Income not subject to tax | ( 7,629) | ( 16.5) | - | - |
| Tax at the effective tax rate | - | - | - | - |

As at the end of the reporting period, the Company had unused tax losses of HK$21,496,862 (2017: HK$21,496,862), subject to the agreement of the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets in respect of the unused tax losses has been recognised as the directors consider it uncertain that there will be available taxable profits of the Company to utilise the unused tax losses.

## 7. ACCRUALS

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Accrued employee benefits | - | 77,681 |
| Accruals | 21,950 | 15,600 |
| | 21,950 | 93,281 |

## 8. SHARE CAPITAL

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Issued and fully paid: | | |
| 200,000 (2017: 200,000) ordinary shares | 1,556,000 | 1,556,000 |

## 9. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these financial statements, the Company had no significant related party transactions during the years ended 31 March 2018 and 31 March 2017.

(b) The balances with the immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(c) The loan from the immediate holding company is unsecured, interest-free and has no fixed terms of repayment.

## 10. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise deposits and other receivables, an amount due from a fellow subsidiary, and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Company comprise financial liabilities included in accruals, amounts due to the immediate holding company and a fellow subsidiary and a loan from the immediate holding company which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

## 11. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of the reporting period.

## 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

*Credit risk*
The carrying amounts of deposits and other receivables, cash and cash equivalents and an amount due from a fellow subsidiary represents the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy bank with no recent history of default.

## 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk*
In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

*Capital management*
The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

## 13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2018.

Company Registration No. 06863593 (England and Wales)

# POETIC KNITWEAR LIMITED

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2018

**POETIC KNITWEAR LIMITED**

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**POETIC KNITWEAR LIMITED**

**COMPANY INFORMATION**

| | |
|---|---|
| **Director** | Mr Pallak Seth<br>Mr Deepak K Seth |
| **Secretary** | Mr Krishna Kanodia |
| **Company Number** | 06863593 |
| **Registered Office** | Quadrant House - Floor 6<br>4 Thomas More Square<br>London<br>E1W 1YW |
| **Auditor** | UHY Hacker Young LLP<br>Quadrant House<br>4 Thomas More Square<br>London<br>E1W 1YW |

# POETIC KNITWEAR LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

**Principal activities and review of the business**
The principal activity of the company is that of import and distribution of knitwear clothing.

**Results and dividends**
The results for the year are set out on page 7.

**Directors**
The following directors have held office since 1 April 2017:

Mr Gary M Isaacs (Resigned 30/09/2017)
Mr Pallak Seth
Mr Deepak K Seth

**Auditor**
The auditors, UHY Hacker Young, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

**Statement of directors' responsibilities**
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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently:
- make judgements and estimates that are reasonable and prudent:
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements: 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. They 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.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware: and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

By order of the board

.....

Mr Pallak Seth
**Director**

31 May 2018

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

# POETIC KNITWEAR LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## POETIC KNITWEAR LIMITED

## FOR THE YEAR ENDED 31 MARCH 2018

### Opinion

We have audited the financial statements of Poetic Knitwear Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, 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 March 2018 and of its loss 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.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken 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.

### 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.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW



**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. 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.

**Opinion 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 the 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 where 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.
- the directors were note entitled to prepare the financial statement in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW



**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Vinodkumar Vadgama (Senior Statutory Auditor)**
**for and on behalf of UHY Hacker Young**

**Chartered Accountants**
**Statutory Auditor**

25 May 2018

## POETIC KNITWEAR LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | Year Ended 31 March 2018 £ | Year Ended 31 March 2017 £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | - | - |
| Cost of Revenue | | - | - |
| **Gross profit** | | - | - |
| Administrative expenses | | (2,062) | (2,094) |
| **(Loss) for the year before taxation** | 4 | (2,062) | (2,094) |
| Taxation | 6 | - | - |
| **(Loss) for the financial year** | 10 | (2,062) | (2,094) |

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the income statement.

The notes on page 11 to 18 form part of these financial statements.

## POETIC KNITWEAR LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

| | Notes | Year Ended 31 March 2018 £ | Year Ended 31 March 2017 £ |
|---|---|---|---|
| **Current assets** | | | |
| Trade and other receivables | 7 | - | 406 |
| Cash and cash equivalents | | 2,945 | 2,162 |
| **Total assets** | | 2,945 | 2,568 |
| **Current liabilities** | | | |
| Trade and other payables | 8 | (704,483) | (702,044) |
| **Net current liabilities** | | (701,538) | (699,476) |
| **Total liabilities** | | (704,483) | (702,044) |
| **Net assets** | | (701,538) | (699,476) |
| **Shareholder's equity** | | | |
| Share capital | 9 | 100 | 100 |
| Retained earnings | 10 | (701,638) | (699,576) |
| **Total equity** | | (701,538) | (699,476) |

The financial statements were approved by the board of directors and authorised for issue on 26 May 2018 and were signed on its behalf by:

Mr Pallak Seth
**Director**

**Company registration no. 06863593**

The notes on page 11 to 18 form part of these financial statements.

## POETIC KNITWEAR LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £ | Retained earnings £ | Total £ |
|---|---|---|---|
| **Balance at 1 April 2016** | 100 | (697,482) | (697,382) |
| **Comprehensive income** | | | |
| Loss for the year | - | (2,094) | (2,094) |
| **Balance at 1 April 2017** | 100 | (699,576) | (699,476) |
| **Comprehensive income** | | | |
| Loss for the year | - | (2,062) | (2,062) |
| **Balance at 31 March 2018** | 100 | (701,638) | (701,538) |

The notes on page 11 to 18 form part of these financial statements.

## POETIC KNITWEAR LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2018

| | Year Ended 31 March 2018 £ | Year Ended 31 March 2017 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss) for the year | (2,062) | (2,094) |
| **Operating cash flows before movements in working capital** | (2,062) | (2,094) |
| Increase in payables | 2,439 | 2,876 |
| (Increase)/Decrease in receivables | 406 | (406) |
| **Net cash generated by operating activities** | 783 | 376 |
| **Net increase in cash and cash equivalents** | 783 | 376 |
| Cash and cash equivalents at the start of the year | 2,162 | 1,786 |
| **Cash and cash equivalents at the end of the year** | 2,945 | 2,162 |
| **Cash and cash equivalents comprise:** | | |
| Cash at bank and in hand | 2,945 | 2,162 |

The notes on page 11 to 18 form part of these financial statements.

1. **General information**

Poetic Knitwear Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 2.

These financial statements are presented in pound sterling because that is the currency of the primary economic environment in which the company operates.

2. **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the financial statements are set out below.

**Basis of preparation**

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

2.1 **Going concern**

The financial statements have been prepared on a going concern basis even though at the balance sheet date the company's current liabilities exceeded its current assets by £701,538 (2017: £699,476).

The directors consider the going concern basis to be appropriate because in their opinion, the company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due. If the company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of the assets to their realisable amount and to provide for any further liabilities which might arise.

2. **Summary of significant accounting policies (continued)**

2.2 **Taxation**

Income tax expense represents the current tax payable and deferred tax provisions.

- **Current tax**

  The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

- **Deferred tax**

  Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

  The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

  Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

  Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2.3 **Foreign currencies**

Transactions in currencies other than in pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

2. **Summary of significant accounting policies (continued)**

2.4 **Related parties**

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2.5 **Financial instruments**

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

- **Trade and other payables**
  Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

- **Cash and cash equivalents**
  Cash for the purpose of the statement of cash flows, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of change in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the statement of cash flows are shown under current liabilities.

2.6 **New IFRSs and interpretations not applied**

The following standards, amendments and interpretations are not yet effective and have not yet been adopted early by the company:

| | **Effective for period beginning on or after** |
|---|---|
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 | 1 January 2018 |

The adoption of these standards, amendments and interpretations is not expected to have a material impact of the company's results for the year or equity.

3. **Significant judgements and estimates**

The preparation of the company's financial statements in conforming to IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. Theses judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements. There are no significant estimates in the current year.

4. **Operating profit/ (loss)**

**Auditor remuneration**

During the year the company obtained the following services from the company's auditor and its associates:

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Fees payable to the company's auditor: | | |
| Audit of annual financial statements | 2,000 | 2,000 |

5. **Staff numbers and costs**

The average number of employees (including directors) during the year was:

| | 2018<br>No. | 2017<br>No. |
|---|---|---|
| Management and administration | 2 | 3 |

## 6. Taxation for the year

| Income tax expense | 2018 £ | 2017 £ |
|---|---|---|
| **Current tax expense:** | | |
| UK corporation tax | - | - |
| **Reconciliation of current tax expense to accounting loss** | | |
| Loss before taxation | (2,062) | (2,094) |
| Notional taxation charge at the UK corporation tax rate of 19% (2017: 20%) | (392) | (419) |
| Tax effects on: | | |
| Group relief surrendered | 392 | 419 |
| **Total current tax charge for the year** | - | - |

## 7. Other Debtors

| | 2018 £ | 2017 £ |
|---|---|---|
| VAT recoverable | - | 406 |
| | - | 406 |

## 8. Trade and other payables

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Payable to parent company (note 13) | 702,483 | 700,044 |
| Accrued expenses | 2,000 | 2,000 |
| | 704,483 | 702,044 |

Trade payables and accrued expenses mainly comprise of amounts owed for administrative costs.

All trade and other payables are due to be paid within 12 months of the balance sheet date. The fair value of all trade and other payables is the same as the carrying value shown above.

## 9. Share capital

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Issued and fully paid** | | |
| 100 Ordinary shares of £1 each | 100 | 100 |

## 10. Retained earnings

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Balance at the start of the year | (699,576) | (697,482) |
| Net (loss) for the year | (2,062) | (2,094) |
| Balance at the end of the year | (701,638) | (699,576) |

## 11. Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings.

## 12. Financial risk management

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

***Credit Risk***
As the company has not traded in the year, it was not exposed to such risk.

***Liquidity risk***
Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2018, the company held cash and cash equivalents of £2,945 (2017: £2,162).

***Foreign currency risk***
The company has not undertaken any transactions denominated in foreign currencies. Hence, the company is not exposed to exchange rate fluctuations.

## 13. Related party transactions

During the year, the company entered into the following transactions with related parties:

| | Other income (received) / paid | | Amounts owed to / (by) related party | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Poeticgem Limited, UK | 2,438 | - | 702,483 | 700,044 |

The above companies are related as follows:

Poetic Knitwear Limited is 100% owned by Poeticgem Limited.

The above balances are interest free and repayable on demand.

## 14. Control

The immediate parent company is Poeticgem Limited, a company registered in England and Wales and the ultimate parent company is PDS Multinational Fashions Limited, a company registered in India. PDS Multinational Fashions Limited prepares group financial statements and copies can be obtained from # 758 and 759, 2nd Floor, 19th Main Road, Sector-2, HSR Layout, Bangalore 560102.

PDS Multinational Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

# POETIC KNITWEAR LIMITED

## MANAGEMENT INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2018

**POETIC KNITWEAR LIMITED**

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2018**

| | | 2018 | | 2017 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Revenue** | | - | | - |
| **Cost of revenue** | - | | - | |
| | | - | | - |
| **Gross profit** | | - | | - |
| **Other income** | - | | - | |
| **Administrative expenses** | (2,062) | | (2,094) | |
| | | (2,062) | | (2,094) |
| **Operating (loss)** | | (2,062) | | (2,094) |

## POETIC KNITWEAR LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

## FOR THE YEAR ENDED 31 MARCH 2018

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Administrative expenses** | | |
| Audit fees | 2,000 | 2,000 |
| Bank charges | 30 | 30 |
| Sundry fees | 32 | 64 |
| | 2,062 | 2,094 |

Company Registration No. 04944346 (England and Wales)

# PACIFIC LOGISTICS LIMITED

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2018

UHY Hacker Young
Chartered Accountants

**PACIFIC LOGISTICS LIMITED**

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**PACIFIC LOGISTICS LIMITED**

**COMPANY INFORMATION**

| | |
|---|---|
| **Directors** | Mr Anuj Banaik<br>Mrs Payel Seth |
| **Secretary** | Mr Krishna Kanodia |
| **Company number** | 04944346 |
| **Registered office** | Quadrant House - Floor 6<br>4 Thomas More Square<br>London<br>E1W 1YW |
| **Auditor** | UHY Hacker Young LLP<br>Quadrant House<br>4 Thomas More Square<br>London<br>E1W 1YW |

## PACIFIC LOGISTICS LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

**Principal activities**
The principal activity of the company is the provision of logistics services to the clothing industry.

**Results and dividends**
The results for the year are set out on page 7.

The directors do not recommend the payment of a dividend for the year.

**Directors**
The following directors have held office since 1 April 2017:

Mrs Payel Seth
Mr Anuj Banaik

**Auditor**
The auditors, UHY Hacker Young, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

**Statement of directors' responsibilities**
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). 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 year. In preparing these financial statements, the directors are required to:

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

**Statement of directors' responsibilities (continued)**
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. They 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.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditor**
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

By order of the board

.....
Mr Anuj Banaik
**Director**

24 May 2018

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

# PACIFIC LOGISTICS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## PACIFIC LOGISTICS LIMITED

## FOR THE YEAR ENDED 31 MARCH 2018

### Opinion

We have audited the financial statements of Pacific Logistics Limited (the 'company') for the year ended 31 March 2018 which comprise the statement of comprehensive income, statement of financial position, the cash flow statement, the statement of changes in equity 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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss 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.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken 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.

### 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.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

PACIFIC LOGISTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

PACIFIC LOGISTICS LIMITED

FOR THE YEAR ENDED 31 MARCH 2018

**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 our 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 the 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 where 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

# PACIFIC LOGISTICS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## PACIFIC LOGISTICS LIMITED

## FOR THE YEAR ENDED 31 MARCH 2018

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Vinodkumar Vadgama (Senior Statutory Auditor)**
**for and on behalf of UHY Hacker Young**

**Chartered Accountants**
**Statutory Auditor**

25 May 2018

## PACIFIC LOGISTICS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | Year ended 31 March 2018 £ | Year ended 31 March 2017 £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | - | - |
| Cost of revenue | | - | - |
| **Gross profit** | | - | - |
| **Operating expenses** | | | |
| Administration expenses | | (7,169) | (4,867) |
| **Operating loss** | 4 | (7,169) | (4,867) |
| Interest receivable and similar income | | - | 350 |
| **Loss before taxation** | | (7,169) | (4,517) |
| Taxation | 6 | - | - |
| **Loss for the financial year** | 10 | (7,169) | (4,517) |

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses, other than those passing through the income statement.
The notes on pages 11 to 19 form part of these financial statements.

## PACIFIC LOGISTICS LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 2,217 | 2,931 |
| | | 2,217 | 2,931 |
| **Total assets** | | 2,217 | 2,931 |
| **Current liabilities** | | | |
| Trade and other payables | 7 | (380,433) | (373,978) |
| | | (380,433) | (373,978) |
| **Net current liabilities** | | (378,216) | (371,047) |
| **Non-current liabilities** | | | |
| Borrowings | 8 | (1,617) | (1,617) |
| | | (1,617) | (1,617) |
| **Total liabilities** | | (382,050) | (375,595) |
| **Net assets/ (liabilities)** | | (379,833) | (372,664) |
| **Shareholders' equity** | | | |
| Share capital | 9 | 10,000 | 10,000 |
| Retained earnings | 10 | (389,833) | (382,664) |
| **Total equity** | | (379,833) | (372,664) |

The financial statements were approved by the board of directors and authorised for issue on 24 May 2018 and were signed on its behalf by:

Mr Anuj Banaik
**Director**

**Company registration no. 04944346**

The notes on pages 11 to 19 form part of these financial statements.

## PACIFIC LOGISTICS LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £ | Retained earnings £ | Total £ |
|---|---|---|---|
| **Balance at 1 April 2016** | 10,000 | (378,147) | (368,147) |
| **Comprehensive income** | | | |
| Loss for the year | - | (4,517) | (4,517) |
| **Balance at 31 March 2017** | 10,000 | (382,664) | (372,664) |
| **Balance at 1 April 2017** | 10,000 | (382,664) | (372,664) |
| **Comprehensive income** | | | |
| Loss for the year | - | (7,169) | (7,169) |
| **Balance at 31 March 2018** | 10,000 | (389,833) | (379,833) |

The notes on pages 11 to 19 form part of these financial statements.

## PACIFIC LOGISTICS LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018<br>£ | 2017<br>£ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generate by / (used) in operations | 11 | (714) | 905 |
| **Net cash generate by / (used) in operating activities** | | (714) | 905 |
| **Net increase / (decrease) in cash and cash equivalents** | | (714) | 905 |
| Cash and cash equivalents at the start of the year | | 2,931 | 2,026 |
| **Cash and cash equivalents at the end of the year** | | 2,217 | 2,931 |

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Cash and cash equivalents comprise:** | | |
| Cash at bank and in hand | 2,217 | 2,931 |

The notes on pages 11 to 19 form part of these financial statements.

1. **General information**

Pacific Logistics Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the Directors' Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. **Summary of significant accounting policies**

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

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 the historical cost basis. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 **Going concern**

The financial statements have been prepared on a going concern basis even though at the balance sheet date, the company's current liabilities exceeded its current assets by £378,216 (2017: £371,047).

The directors consider the going concern basis to be appropriate because, in their opinion, the company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due. If the company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

2.2 **Impairment**

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

## 2. Summary of significant accounting policies (continued)

### 2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

- **Rendering of logistic services**
  Revenue represents amounts receivable from the provision of logistics services net of discounts and value added tax. Revenue is recognised when the amount of revenue can be measured reliably and the economic benefits associated with the transaction have been received by the company.

### 2.4 Taxation

Income tax expense represents the current tax payable and deferred tax provisions.

- **Current tax**
  The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

- **Deferred tax**
  Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

  The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

  Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

  Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

## 2. Summary of significant accounting policies (continued)

### 2.5 Foreign currencies

Transactions in currencies, other than pounds sterling, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

### 2.6 Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### 2.7 Financial instruments

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition, non-derivative financial instruments are measured as described as follows:

- **Trade and other payables**
  Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

- **Cash and cash equivalents**
  Cash for the purposes of the cash flow statement comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

- **Borrowings**
  Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

## 2. Summary of significant accounting policies (continued)

### 2.8 New IFRSs and interpretations not applied

The following standards, amendments and interpretations are not yet effective and have not yet been adopted early by the company:

| | Effective for period beginning on or after |
|---|---|
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 | 1 January 2018 |

The adoption of these standards, amendments and interpretations is not expected to have a material impact of the company's results for the year or equity.

## 3. Significant judgements and estimates

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements. There are no significant estimates in the current year.

## 4. Operating loss

| | 2018 £ | 2017 £ |
|---|---|---|
| Operating loss has been arrived at after charging: | | |
| Loss on foreign exchange transactions | - | 8 |

**Auditor remuneration**

During the year, the company obtained the following services from the company's auditor and its associates:

| | 2018 £ | 2017 £ |
|---|---|---|
| Fees payable to the company's auditor: | | |
| Audit of annual financial statements | 7,045 | 4,744 |

## 5. Staff numbers and costs

The average number of employees (including directors) during the year was:

| | 2018 Number | 2017 Number |
|---|---|---|
| Management and administration | 2 | 2 |
| | 2 | 2 |

| | | |
|---|---|---|
| **Directors' emoluments** | | |
| Emoluments for qualifying services | - | - |

## 6. Taxation for the year

| **Income tax expense** | 2018 £ | 2017 £ |
|---|---|---|
| **Current tax expense** | | |
| UK corporation tax | - | - |
| | - | - |

| | | |
|---|---|---|
| **Reconciliation of current tax expenses to accounting loss:** | | |
| Loss before taxation | (7,169) | (4,517) |
| Notional taxation charge at the UK corporation tax rate of 19% (2017: 20%) | (1,362) | (903) |
| Tax effects of: | | |
| Group relief surrendered | 1,362 | 903 |
| **Total current tax charge for the year** | - | - |

## 7. Trade and other payables

| | 2018 £ | 2017 £ |
|---|---|---|
| Payables to parent company (note 15) | 375,433 | 370,978 |
| Accrued expenses | 5,000 | 3,000 |
| | 380,433 | 373,978 |

All trade payables are due to be paid within 12 months of the balance sheet date. The fair value of trade and other payables is the same as the carrying value shown above.

## 8. Borrowings

| | 2018 £ | 2017 £ |
|---|---|---|
| Loan from related party (note 15) | 1,617 | 1,617 |

This represents an unpaid interest free loan from Poeticgem Limited, the parent company.

The carrying value of all the company's long-term borrowings approximate to their fair value as at the balance sheet date.

| 9. Share capital | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Issued and fully paid** | | |
| 10,000 Ordinary shares of £1 each | 10,000 | 10,000 |

| 10. Retained earnings | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Balance at the start of the year | (382,664) | (378,147) |
| Net loss for the year | (7,169) | (4,517) |
| Balance at the end of the year | (389,833) | (382,664) |

| 11. Notes to the cash flow statement | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss from operations | (7,169) | (4,517) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | - | - |
| **Operating cash outflow before working capital** | (7,169) | (4,517) |
| Increase in payables | 6,455 | 5,422 |
| **Cash generated by/ (used in) operations** | (714) | 905 |

12. **Contingent liabilities**

The company has extended an Unlimited Multilateral Guarantee on 28 August 2012 to its parent and fellow subsidiaries, Poeticgem Limited and FX Import Company Limited.

The bank has a fixed and floating charge over the assets of the company as security.

13. **Capital risk management**

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings.

14. **Financial risk management**

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

***Credit Risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available the company uses other publicly available financial information. The company's exposure and the credit ratings of its counterparties are continuously monitored.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

The company's principal financial assets are receivables and cash at bank.

***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2018, the company held cash and cash equivalents of £2,217 (2017: £2,931).

***Foreign currency risk***

The company's functional and presentation currency and the majority of its spending are in GBP. As such, no exchange rate risk exists. The company has no deposit or loan facilities, hence is not affected by interest rate fluctuations.

## 15. Related party transactions

During the year, the company entered into the following transactions with related parties:

| | Amounts owed to related parties | |
|---|---|---|
| | 2018 | 2017 |
| | £ | £ |
| Poeticgem Limited, UK | 377,049 | 372,595 |

The immediate parent company of Pacific Logistics Limited is Poeticgem Limited.

The above loan is interest free and repayable on demand.

## 16. Control

The immediate parent company is Poeticgem Limited, a company registered in England and Wales and the ultimate parent company is PDS Multinational Fashions Limited, a company registered in India.

PDS Multinational Fashions Limited prepares group financial statements and copies can be obtained from # 758 and 759, 2nd Floor, 19th Main Road, Sector-2, HSR Layout, Bangalore 560102.

PDS Multinational Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

# PACIFIC LOGISTICS LIMITED

## MANAGEMENT INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2018

**PACIFIC LOGISTICS LIMITED**

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2018**

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Turnover** | | | | - |
| **Cost of revenue** | | | | |
| Carriage inwards and import duty | - | | - | |
| | | - | | - |
| **Gross profit** | | - | | - |
| **Administrative expenses** | | (7,169) | | (4,867) |
| **Operating loss** | | (7,169) | | (4,867) |
| **Interest receivable and similar income** | | | | |
| Bank interest | - | | 350 | |
| | | - | | 350 |
| **Loss before taxation** | | (7,169) | | (4,517) |

## PACIFIC LOGISTICS LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

## FOR THE YEAR ENDED 31 MARCH 2018

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| **Administrative expenses** | | |
| Audit fees | 7,045 | 4,744 |
| Bank charges | 124 | 115 |
| Exchange difference | - | 8 |
| | 7,169 | 4,867 |

# AUDITORS' REPORT
# &
# AUDITED FINANCIAL STATEMENTS
# OF
# PROGRESS APPARELS (BANGLADESH) LIMITED
## As at & For the year ended 31 March 2018

A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone: 880-2-8881824-6
Fax : 880-2-8881822
E-mail : aqasem@aqcbd.com

# INDEPENDENT AUDITORS' REPORT
## To the shareholders of Progress Apparels (Bangladesh) Limited

We have audited the accompanying financial statements of Progress Apparels (Bangladesh) Limited as at 31 March 2018 which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Progress Apparels (Bangladesh) Limited as at 31 March 2018, and of its financial performance for the year then ended in accordance with the Companies Act, 1994, Bangladesh Financial Reporting Standards (BFRSs), and comply with other applicable rules and regulations.

### We also report that

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

b) In our opinion, proper books of account as required by law have been kept by the management so far as it appeared from our examination of those books; and

c) The financial statements of the company dealt by the report are in agreement with the books of accounts.



A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
12 May 2018



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EY
Building a better working world

# Progress Apparels (Bangladesh) Limited
## Statement of Financial Position
### As at 31 March 2018

| | Notes | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4.00 | 362,946,205 | 27,793,460 |
| Intangible assets | 5.00 | 3,419,572 | 37,652 |
| Capital work in progress | 6.00 | 68,974,187 | 40,706,954 |
| | | **435,339,964** | **68,538,066** |
| **Current assets** | | | |
| Inventories | 7.00 | 177,957,886 | 1,000,200 |
| Advances, deposits and prepayments | 8.00 | 67,901,949 | 22,752,769 |
| Trade receivables | 9.00 | 59,032 | - |
| Inter-company receivables | 10.00 | 285,050,974 | - |
| Cash and cash equivalents | 11.00 | 40,247,336 | 7,614,113 |
| | | **571,217,177** | **31,367,082** |
| **Total assets** | | **1,006,557,141** | **99,905,148** |
| **Shareholders' equity & liabilities** | | | |
| **Shareholders' equity** | | | |
| Share capital | 12.00 | 4,011,200 | 4,009,200 |
| Share money deposit | 13.00 | 155,037,500 | 38,825 |
| Retained earnings | 14.00 | (398,210,214) | (54,735,027) |
| | | **(239,161,514)** | **(50,687,002)** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Secured short term bank borrowings | 15.00 | 99,282,194 | - |
| Trade payable and other payables | 16.00 | 89,826,371 | 3,843,544 |
| Inter-company payables - short term loan | 17.00 | 323,731,410 | - |
| Inter-company payables - others | 18.00 | 732,878,680 | 146,748,606 |
| | | **1,245,718,655** | **150,592,150** |
| **Total shareholders' equity & liabilities** | | **1,006,557,141** | **99,905,148** |

FOOTNOTES:
1. Auditors' Report - Page 1.
2. The accompanying notes 1.00 - 30.00 form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Dated, Dhaka
12-May-18

A. Qasem & Co.
Chartered Accountants



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# Progress Apparels (Bangladesh) Limited
## Statement of Profit or Loss and other Comprehensive Income
## For the year ended 31 March 2018

| | Notes | For the year ended 31 March 2018 | 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **Revenue** | | | |
| Export sales | 19.00 | 368,483,392 | - |
| Less: Net cost of material consumed | 20.00 | (256,749,509) | - |
| **Gross profit** | | 111,733,883 | - |
| **Operating expenses** | | | |
| Employee benefits expenses | 21.00 | (229,517,451) | (9,435,107) |
| General, administrative and factory expenses | 22.00 | (217,791,823) | (41,804,369) |
| Commercial expenses | 23.00 | (22,418,146) | (336,323) |
| Training line expenses | 24.00 | (1,305,519) | (834,716) |
| Foreign exchange gain | 25.00 | 16,684,475 | 634,718 |
| **Operating loss** | | (342,614,582) | (51,775,798) |
| Other income | 26.00 | 554,471 | - |
| **Loss before interest and tax** | | (342,060,110) | (51,775,798) |
| Finance expenses | 27.00 | (1,415,077) | (33,836) |
| **Loss before tax** | | (343,475,188) | (51,809,634) |
| Income tax expenses | | - | - |
| **Loss after tax** | | (343,475,188) | (51,809,634) |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | (343,475,188) | (51,809,634) |

**FOOTNOTES:**

1. Auditors' Report - Page 1.
2. The accompanying notes 1.00 - 30.00 form an integral part of these financial statements.

Managing Director

Chief Financial Officer

A. Qasem & Co
Chartered Accountants

Dated, Dhaka
12-May-18



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# Progress Apparels (Bangladesh) Limited
## Statement of Changes in Shareholder's Equity
## For the year ended 31 March 2018

Amounts in BDT

| Particulars | Share capital | Retained earnings | Share money deposits | Total |
|---|---|---|---|---|
| Balance as at 31 March 2017 | 4,009,200 | (54,735,027) | 38,825 | (50,687,002) |
| Addition during the period | | | | |
| Share capital | 2,000 | - | - | 2,000 |
| Share money deposit | | | 154,998,675 | 154,998,675 |
| Total comprehensive (loss) for the period | - | (343,475,188) | - | (343,475,188) |
| Balance as at 31 March 2018 | 4,011,200 | (398,210,214) | 155,037,500 | (239,161,514) |

Managing Director

Chief Financial Officer

Dated, Dhaka
12-May-18

A. Qasem & Co
Chartered Accountants



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# Progress Apparels (Bangladesh) Limited
## Statement of Cash Flows
## For the year ended 31 March 2018

| | For the year ended 31 March | |
|---|---|---|
| | 2018 | 2017 |
| | Amounts in BDT | |
| **Cash flows from operating activities** | | |
| (Loss) before tax | (343,475,188) | (51,809,634) |
| Add: Non cash items | | |
| Depreciation | 30,413,333 | - |
| | **(313,061,854)** | **(51,809,634)** |
| **(Increase) in current assets** | **(507,216,872)** | **(20,420,313)** |
| (Increase) in inventories | (176,957,686) | (1,000,200) |
| (Increase) in advances, deposits and prepayments | (45,149,180) | (19,420,113) |
| (Increase) in trade receivables | (59,032) | - |
| (Increase) in inter-company receivables | (285,050,974) | - |
| **Increase in current liabilities** | **995,844,310** | **127,676,520** |
| Increase in other payable | 85,982,827 | 3,289,605 |
| Increase in inter-company payable | 909,861,483 | 124,386,915 |
| **Cash generated from operating activities** | **175,565,584** | **55,446,574** |
| Direct tax | - | - |
| **Net cash flows from operating activities** | **175,565,584** | **55,446,574** |
| **Cash flows from investing activities** | | |
| Payment for capital work in progress | (28,267,233) | (25,834,058) |
| Payment for property, plant & equipment | (365,566,078) | (27,793,460) |
| Payment for intangible assets | (3,381,920) | (37,652) |
| **Net cash used in investing activities** | **(397,215,231)** | **(53,665,171)** |
| **Cash flows from financing activities** | | |
| Share capital | 2,000 | - |
| Secured short term bank borrowings | 99,282,194 | - |
| Share money deposit | 154,998,675 | 38,825 |
| **Net cash generated by financing activities** | **254,282,869** | **38,825** |
| **Net change in cash and cash equivalents** | **32,633,223** | **1,820,228** |
| **Cash and cash equivalents at the beginning of the period** | 7,614,113 | 5,793,885 |
| **Cash and cash equivalents at the end of the period** | **40,247,336** | **7,614,113** |
| **Represented by:** | | |
| Cash in hand | 2,501,223 | 1,326,761 |
| Cash at bank | 37,746,113 | 6,287,352 |
| | **40,247,336** | **7,614,113** |

Managing Director

Chief Financial Officer

Dated, Dhaka
12-May-18

A. Qasem & Co
Chartered Accountants



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Progress Apparels (Bangladesh) Limited
Notes to the financial statements
For the year ended 31 March 2018

## 1.00 Significant accounting policies and other material information

### 1.01 Company profile

Progress Apparels (Bangladesh) Limited (the "Company") was incorporated in Bangladesh on 12 July 2015 as a private company limited by shares under the Companies Act, 1994 with its registered office located at House N0. 490, Road 8 (East), Baridhara DOHS, Dhaka 1206, The factory is located at MS SFB # 01 & 02 , Adamjee EPZ, Siddhirgonj, Narayangonj 1431, Bangladesh.

### 1.02 Nature of business

The principal activity of the Company is to manufacture and trade in ready made garments for 100% export.

## 2.00 Basis of preparation

### 2.01 Statement of compliance

The financial statements of the company have been prepared under historical cost convention in a going concern concept and on accrual basis in accordance with generally accepted accounting principles and practice followed in Bangladesh in compliance with The Companies Act 1994, The Securities and Exchange Rules 1987, International Accounting Standards (IASs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), as Bangladesh Accounting Standards (BASs) and other applicable laws and regulations.

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and the requirements of the Companies Act, 1994.

### 2.02 Functional and presentational currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT), which is the Company's functional currency. Financial information presented in BDT have been rounded off to the nearest BDT.

### 2.03 Use of estimates and judgment

The financial statements was prepared by the management on the basis of best judgments, estimations and assumptions complying the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and underlying assumptions, which are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the year in which the estimates are revised and in any future years affected.

### 2.04 Reporting period

The financial report covers the period from 01 April 2017 to 31 March 2018.

### 2.05 Consistency of presentation

The presentation and classification of all items in the financial statements have been retained from one period to another period unless where it is apparent that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies or changes is required by another BFRSs.



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### 2.06 Comparative information

Comparative information has been disclosed in respect of the previous period for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current period financial statements. Certain figures for previous period have been rearranged wherever considered necessary, as to ensure better comparability with the current period financial and to comply with relevant BASs.

### 2.07 Preparation and presentation of financial statements of the company

The Board of Directors of the company is responsible for the preparation and presentation of the financial statements of the company.

### 2.08 Components of the financial statements

According to the Bangladesh Accounting Standard BAS-1 'Presentation of Financial Statements' the complete set of Financial Statements includes the following components:

i) Statement of financial position as at 31 March 2018
ii) Statement of profit or loss and other comprehensive income for the year ended 31 March 2018
iii) Statement of changes in shareholder's equity for the year ended 31 March 2018
iv) Statement of cash flows for the year ended 31 March 2018
v) Accounting policies and explanatory notes.

## 3.00 Summary of significant policies

### 3.01 Principle of accounting policies

Specific accounting policies were selected and applied by the company's management for significant transactions and events that have a material effect within the framework of BAS-1 "Presentation of Financial Statements" in preparation and presentation of financial statements.

### 3.02 Accrual basis of accounting

The financial statements have been prepared, except statements of cash flows, under accrual basis of accounting in accordance with applicable Bangladesh Accounting Standards which do not vary from the requirements of the Companies Act, 1994 and other laws and rules as applicable in Bangladesh.

### 3.03 Going concern

The financial statements are prepared on a going concern basis. As per management assessment, there is no material uncertainty relating to events or condition which may cast doubt upon the Company's ability to continue as a going concern.

### 3.04 Statement of cash flows

The Statement of cash flows has been prepared in accordance with the requirements of BAS 7: Statement of cash flows. The cash generating from operating activities has been reported using the direct method.



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### 3.05 Accounting policies, changes in accounting estimates and errors

*Accounting policies*
Accounting policies are the specific principles, bases, conventions, requirements and practices used by an entity in preparing and presenting its financial statements.

An existing accounting policy should only be changed where a new accounting will result in reliable and more relevant information being presented.

Any changes in accounting policy required to be accounted for retrospectively except where it is not practicable to determine the effect in prior periods.

*Accounting estimates*
The preparation of financial statements requires many estimates to be made on the basis of latest available and reliable information.

The effect of a change in accounting estimates should therefore be recognized prospectively.

*Prior period errors*
A prior period error is where an error has occurred even though reliable information was available when those financial statements were authorized for issue.

### 3.06 Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the date of statement of financial position or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

### 3.07 Taxation

The company is in operating stage from 1st quarter of FY 2017-18. It is noted that as per SRO No.219-Law/income Tax/2011, dated 04-07-2014 issued by internal resources division for all industries operating in the export processing zones of Bangladesh have been exempted from payment of income tax from the date of commencement of commercial operation as mentioned below:

| Tax exemption period | Tax exemption Rate |
|---|---|
| First & second year | 100% |
| Third & fourth year | 50% |
| Fifth year | 25% |

### 3.08 Recognition of Property, plant and equipment

*Recognition and measurement*
According to BAS 16 "Property, Plant and Equipment" items of property, plant and equipment, excluding freehold land, freehold building and leasehold building, are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes (after deducting trade discount and rebates) and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner.



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Part of an item of property, plant and equipment having different useful lives, are accounted for as separate items (major components) of property, plant and equipment.

*Subsequent costs*

The cost of replacing or upgrading part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

*Capital work in progress*

Capital work in progress consists of acquisition costs, capital components and related installation cost, until the date when the asset is ready to use for its intended purpose. In case of import of components, Capital work in progress is recognized when risks and rewards associated with such assets are transferred to the Company.

*Depreciation*

No depreciation is charged on capital work in progress (CWIP) as CWIP is not yet available for use. Depreciation on other items of property plant and equipment is recognized on reducing balance or WDV basis over the estimated useful lives of each item of property, plant and equipment. For addition to property, plant and equipment, depreciation method, useful lives and residual balance are reviewed each reporting date and adjusted if appropriate.

The rate of depreciation varies according to the estimated useful lives of the items of property, plant and equipment. The depreciation rates for the current period is as follows:

| Class of assets | Depreciation rate |
|---|---|
| Furniture and fixtures | 10% |
| Leasehold improvement | 10% |
| Plant and machineries | 10% |
| Freehold Building | 10% |
| Air conditioner | 20% |
| Electrical installation | 20% |
| Fire Protection & Prevention Equipment | 20% |
| Office Equipment | 20% |
| Other Equipment | 20% |
| Pre-operative expenses | 20% |
| IT equipment | 30% |
| Software/ERP | 30% |
| Original cost-Other Low Value Assets | 100% |

**3.09 Inventories**

Inventories are valued at the lower of cost and net realizable value as per BAS 2, after making due allowance for obsolete, rejection and slow moving items. Cost is valued using weighted average method. Net realizable value is the price at which inventories can be sold in the ordinary course business less the estimated cost of completion and the estimated cost necessary to make the sale.



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### 3.10 Revenue recognition

Revenue arises from the sale of goods and the rendering of services. It is measured at the fair value of consideration received or receivable, excluding taxes, and reduced by any rebates and trade discounts allowed as per BAS 18.

Revenues are recognized when the risks and rewards of the ownership is transferred to the buyer, recovery of the consideration is probable, the associated cost and possible return can be estimated reliably and there is no continuing management involvement with the sale of goods or service provided.

### 3.11 Interest income

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head 'other income' in the statement of profit or loss and other comprehensive income.

### 3.12 Transaction with related parties

The company carried out a number of transactions with related parties in the course of business and on arms length basis. Transaction with related parties has been appropriately recognized and disclosed in accordance with BAS 24 "Related Party Disclosures".

### 3.13 Foreign currency transactions

Foreign currency transactions are translated into Bangladesh Taka at the rate ruling on the transaction date. All monetary assets and liabilities at the statement of financial position date are retranslated using rates prevailing on that date. In accordance with Schedule-XI of the Companies Act 1994 all differences arising on outstanding foreign currency loans are adjusted against the project cost for which such foreign currency borrowing took place. This treatment is not in accordance with BAS-21: The Effects of changes in Foreign Exchange Rates, which requires all differences arising from foreign exchange transactions to be recognized in the comprehensive income statement. However management feels the impact on profit due to difference in treatment is immaterial.

### 3.14 Financial Instruments

*Cash and cash equivalents*

Cash and cash equivalents include cash in hand and cash at banks which are held and available for use by the company without any restriction. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at financial institutions and short-term highly liquid investments with maturities of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

*Trade receivables*

Accounts receivable represents the amounts due from export customers. Accounts receivable stated at original invoice amount without making any provision for doubtful debts, because of the fact that exports are being based on 100% confirmed letter credit basis with fixed maturity dates or signed sales contract.

*Trade and other payables*

Trade and other payables are recognized when its contractual obligations arising from past events are certain and settlement of which is expected to result in an outflow from the Company of resources embodying economic benefits.



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### 3.15 Provisions and contingencies

A provision is recognised on the date of statement of financial position if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more future events beyond the control of the company. The company does not recognise a contingent liability but discloses its existence in the financial statements.

### 3.16 General comments and obligations

a. All the issued shares have been fully called and paid up;
b. There is no preference shares issued by the company;
c. The company has not incurred any expenditure in foreign currency against royalties and technical fees;
d. Auditors are paid only the statutory audit fees;
e. No foreign exchange was remitted to the shareholders during the year under audit;
f. No money was spent by the company for compensating any member of the board for rendering special services;
g. No bank guarantee was issued by the company on behalf of its directors.



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## 4.00 Property, plant and equipment's

*Amounts in BDT*

| Particulars | Cost | | | | Rate (%) | Depreciation | | | | Written Down Value as at 31 Mar 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance as on 01 Apr 2017 | Addition during the period | Adjustment for the period | Closing balance as at 31 Mar 2018 | | Opening balance as on 01 Apr 2017 | Charged for the period | Adjustment for the year | Closing balance as at 31 Mar 2018 | |
| Air conditioners | 168,000 | 2,850,730 | - | 3,018,730 | 20 | - | 342,444 | - | 342,444 | 2,676,286 |
| Electrical installations | - | 26,004,177 | - | 26,004,177 | 20 | - | 485,411 | - | 485,411 | 25,518,766 |
| Fire Protection & Prevention Equipment | - | 7,295,244 | - | 7,295,244 | 20 | - | 465,263 | - | 465,263 | 6,829,981 |
| Freehold Building | - | 11,462,972 | - | 11,462,972 | 10 | - | 281,103 | - | 281,103 | 11,181,869 |
| Furniture and fixtures | 1,864,991 | 35,726,226 | - | 37,591,217 | 10 | - | 2,765,235 | - | 2,765,235 | 34,825,982 |
| IT Equipment | 1,890,209 | 26,051,455 | (67,500) | 27,874,164 | 30 | - | 4,824,808 | (19,418) | 4,805,390 | 23,068,774 |
| Leasehold improvements | - | 22,168,561 | - | 22,168,561 | 10 | - | 1,334,522 | - | 1,334,522 | 20,834,039 |
| Office Equipment | 212,005 | 818,816 | - | 1,030,821 | 20 | - | 143,185 | - | 143,185 | 887,636 |
| Other Equipment | - | 4,601,572 | - | 4,601,572 | 20 | - | 416,200 | - | 416,200 | 4,185,372 |
| Original cost-Other Low Value Assets | - | 905,126 | - | 905,126 | 100 | - | 905,126 | - | 905,126 | - |
| Plant and machineries | 23,658,255 | 209,389,648 | - | 233,047,904 | 10 | - | 13,881,921 | - | 13,881,921 | 219,165,983 |
| Pre-operative expenses | - | 17,214,397 | - | 17,214,397 | 20 | - | 3,442,879 | - | 3,442,879 | 13,771,518 |
| As at 31 March 2018 | 27,793,460 | 364,488,924 | (67,500) | 392,214,884 | | - | 29,288,097 | (19,418) | 29,268,680 | 362,946,205 |
| As at 31 March 2017 | - | 27,831,112 | - | 27,831,112 | | - | - | - | - | 27,831,112 |

## 5.00 Intangible assets

*Amounts in BDT*

| Particulars | Cost | | | | Rate (%) | Depreciation | | | | Written Down Value as at 31 Mar 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance as on 01 Apr 2017 | Addition during the period | Adjustment for the period | Closing balance as at 31 Mar 2018 | | Opening balance as on 01 Apr 2017 | Charged for the period | Adjustment for the year | Closing balance as at 31 Mar 2018 | |
| Software/ERP | 37,652 | 4,507,156 | - | 4,544,808 | 30 | - | 1,125,236 | - | 1,125,236 | 3,419,572 |
| As at 31 March 2018 | 37,652 | 4,507,156 | - | 4,544,808 | | - | 1,125,236 | - | 1,125,236 | 3,419,572 |
| As at 31 March 2017 | - | 37,652 | - | 37,652 | | - | - | - | - | 37,652 |

## 6.00 Capital work-in-progress

| | As at 31 Mar 2018 | As at 31 Mar 2017 |
|---|---|---|
| | Amounts in BDT | Amounts in BDT |
| Capital work in progress | 68,974,187 | 40,706,954 |
| | 68,974,187 | 40,706,954 |

Note: Adjustment towards cost & depreciation, for value Taka 67,500/= & Taka 19,418/= is on account of lost or misplaced laptop, which could not be recovered, and thus needs to be written off.



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A. QASEM & CO.
Chartered Accountants Since 1953

| | Notes | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **7.00 Inventories** | | | |
| Fabric - body | | 81,166,528 | 712,251 |
| Fabric - others | | 1,435,714 | - |
| Accessories & trims | | 7,429,248 | - |
| Accessories & trims Mfg. | | 7,632,734 | - |
| Needles | | 144,268 | - |
| Threads | | 3,497,284 | - |
| Cartons | | 894,122 | - |
| Hangers | | 1,177,966 | - |
| Zippers | | 2,473,841 | - |
| Polybags | | 169,435 | 9,450 |
| Packing materials | | 7,100,747 | - |
| Production consumables | | 872,821 | - |
| Fuel | | 389,774 | - |
| Fabric, trims & accessories for training | | 15,093 | - |
| IT consumables | | 292,246 | - |
| Stationaries and general consumables | | 944,252 | 278,499 |
| Stores & spare parts | | 845,300 | - |
| Mechanical, electrical & plumbing | | 99,815 | - |
| Work in progress-manufacturing | | 30,539,163 | - |
| Semi finished goods-manufacturing | | 1,302,824 | - |
| Finished goods-manufacturing | | 29,534,712 | - |
| | | **177,957,886** | **1,000,200** |
| **8.00 Advances, deposits and prepayments** | | | |
| Advances to employees | | 2,454,259 | 6,050,214 |
| Prepaid insurance | | 1,644,022 | - |
| Other advances | | 13,287,232 | 317,800 |
| Security deposit- rent | | 27,443,859 | 16,300,437 |
| Security deposit- utilities | | 5,009,251 | 84,318 |
| Security deposit- others | | 310,000 | - |
| Advance Tax | | 633 | - |
| Advance to suppliers | | 17,752,694 | - |
| | | **67,901,949** | **22,752,769** |
| **9.00 Trade receivables** | | | |
| Gabrielle Frankenmolen | | 59,032 | - |
| | | **59,032** | - |
| **10.00 Inter-company receivables** | | | |
| Progress Manufacturing Group Limited (Trade) | | 265,292,316 | - |
| Norwest Industries Limited (Trade) | | 19,003,100 | - |
| Green Smarts Shirts Limited (Others) | | 755,558 | - |
| | | **285,050,974** | - |
| **11.00 Cash and cash equivalents** | | | |
| Cash at bank | 11.01 | 37,746,113 | 6,287,352 |
| Cash in hand | | 2,501,223 | 1,326,761 |
| | | **40,247,336** | **7,614,113** |



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| | Notes | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **11.01 Cash at bank** | | | |
| Woori Bank-Main Bank Account (BDT) | | 1,045,522 | 6,244,357 |
| Woori Bank-Main Bank Account (USD) | | 78,842 | 42,995 |
| Woori Bank-Main Bank Account (OBU) | | - | - |
| Dutch Bangla-Main Bank Account (BDT) | | 16,996,193 | - |
| HSBC-Main Bank Account (BDT) | | 235,556 | - |
| HSBC-Main Bank Account (OBU) | | 1,674,485 | - |
| HSBC-Main Bank Account (USD) | | 2,825,881 | - |
| Sonali Bank Ltd-Main Bank Account (BDT) | | 248,196 | - |
| Commercial Bank Of Ceylon- Main Bank A/C-(BDT) | | 9,193,880 | - |
| Commercial Bank Of Ceylon- Main Bank A/C-(USD) | | 4,864,961 | - |
| Commercial Bank Of Ceylon- Main Bank A/C-(OBU) | | 300,438 | - |
| Commercial Bank Of Ceylon (FDR) * | | 282,159 | |
| | | **37,746,113** | **6,287,352** |

** The above FDR is in lien with Commercial Bank of Ceylon against Bank Guarantee issued by the said Bank in favour of Commissioner of Customs, Customs House, Chittagong.*

| | | | |
|---|---|---|---|
| **12.00 Share capital** | | | |
| **Authorized capital** | | | |
| 12,00,000 Ordinary Shares of Taka 100 each | | 120,000,000 | 100,000,000 |
| 28,00,000 Redeemable Preference Shares of Taka 100 each | | 280,000,000 | - |
| **Total** | | **400,000,000** | **100,000,000** |

As per Memorandum and Articles of Association of the Company, the shareholders agreed to take the shares in proportion in the capital as detailed below:

| | | | |
|---|---|---|---|
| **12.01 Issued and paid up capital** | | **4,011,200** | **4,009,200** |

Shareholding position as at 31 March 2018 was as follows:

| Paid up capital | Equity Shares held | | |
|---|---|---|---|
| Progress Manufacturing Group Limited (Represented by Mr. Shahed Mahmud) | **40,091** | 4,009,100 | 4,009,100 |
| Mr. Shahed Mahmud | - | - | 100 |
| Mr. Ajai Singh | **1** | 100 | - |
| Mr. Pallak Seth | **10** | 1,000 | - |
| Mr. Omprakash Makam | **10** | 1,000 | - |
| | **40,112** | **4,011,200** | **4,009,200** |

| | | |
|---|---|---|
| **13.00 Share money deposit** | | |
| Share application money | 155,037,500 | 38,825 |
| | **155,037,500** | **38,825** |

| | | |
|---|---|---|
| **14.00 Retained earnings** | | |
| Losses for the financial year: | | |
| 1) FY - 2015-16 | (2,925,393) | (2,925,393) |
| 2) FY - 2016-17 | (51,809,634) | (51,809,634) |
| 3) FY - 2017-18 | (343,475,188) | - |
| | **(398,210,214)** | **(54,735,027)** |

*Financial year for the Company is set from 1st April to 31st March of the following year, as per NBR letter no. 2833 6162 5430/SA-223(Co.)/2016-2017/ dated: 14.05.2017.*



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| | Notes | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **15.00 Secured short term bank borrowings** | | | |
| Clean import loan from HSBC, Bangladesh | | 99,282,194 | - |
| | | **99,282,194** | - |
| **16.00 Trade payable and other payables** | | | |
| Trade payable | | 17,043,084 | - |
| Other payables | 16.01 | 72,783,286 | 3,843,544 |
| | | **89,826,371** | **3,843,544** |
| **16.01 Other payables** | | | |
| Liability to others | | 43,592,561 | 1,822,841 |
| Retention money payable | | 752,634 | - |
| Wages payable | | 11,083,172 | 235,867 |
| Salary payable | | 9,868,976 | 184,804 |
| Food & transport payable - supervisor | | 48,070 | - |
| GR/IR clearing account | | - | 867,855 |
| Overtime payable | | 2,526,543 | - |
| TDS-rent - plant & machinery | | 22,986 | - |
| TDS & VDS payable | | 2,025,459 | 732,177 |
| Unpaid wages payable | | 48,561 | - |
| Unpaid incentive worker | | 139,068 | - |
| Unpaid salary payable | | 188,545 | - |
| Unpaid separated worker wages | | 636,986 | - |
| Unpaid OT payable | | 205,884 | - |
| Expenses Payable | | 530,260 | - |
| Provision for expenses * | | 185,625 | - |
| Incentive Payable-workers | | 326,698 | - |
| Interest Payable | | 591,394 | - |
| Unpaid Incentive Supervisor | | 2,681 | - |
| Incentive payable Supervisor | | 7,183 | - |
| | | **72,783,286** | **3,843,544** |
| **17.00 Inter-company payables - short term loan** | | | |
| Progress Manufacturing Group Limited - short term loan | | 323,731,410 | - |
| | | **323,731,410** | - |
| **18.00 Inter-company payables - others** | | | |
| Green Smart Shirts Limited | | - | 35,250 |
| Progress Manufacturing Group Limited - others | | 731,306,739 | 146,713,356 |
| Twins Asia Limited | | 961,131 | - |
| Design Arc UK Ltd. | | 47,738 | - |
| Poeticgem Limited | | 563,072 | - |
| | | **732,878,680** | **146,748,606** |



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| | For the year ended 31 March | |
|---|---|---|
| | 2018 | 2017 |
| | Amounts in BDT | |

**19.00 Revenue**

| | | |
|---|---|---|
| Export sales | 368,483,392 | - |
| | **368,483,392** | - |

**20.00 Cost of materials consumed**

| | | |
|---|---|---|
| **Fabrics trims and accessories consumption A/c** | 305,706,386 | - |
| Add: Opening work in progress | - | - |
| Less: Closing work in progress | (30,539,163) | - |
| **Cost of material consumed for goods manufactured** | **275,167,223** | - |
| Add: Opening stock of finished goods | - | - |
| Less: Closing stock of finished goods | (29,534,712) | - |
| **Gross cost of material consumed for goods sold** | **245,632,511** | - |
| Add: Rev. of FG, stocklot, leftover - A/c rejection @ $1/pc | 11,116,998 | |
| **Net Cost of material consumed for goods sold** | **256,749,509** | - |

Only cost related to materials consumed has been taken into calculation while calculating gross profit. Other direct cost such as factory overheads and direct labours are shown under general and administration expenses.

**21.00 Employee benefits expenses**

| | | |
|---|---|---|
| **Salaries:** | | |
| Attendance bonus - supervisor | 57,488 | - |
| Salaries | 107,009,398 | 7,318,423 |
| Production incentive - supervisor | 42,308 | - |
| Food allowance - supervisor | 167,610 | - |
| Festive bonus-staff | 1,498,963 | 39,709 |
| Notice pay | 762,338 | |
| Transport allowance - supervisor | 127,975 | - |
| Sub-Total [ a ] | 109,666,080 | 7,358,132 |
| **Wages & Others:** | | |
| Attendance incentive | 720,050 | - |
| Attendance bonus-workers | 3,232,163 | - |
| AEPZ - subscription for medical centre | 186,830 | - |
| AEPZ - worker's welfare fund | 117,750 | - |
| Food allowance-workers | 6,811,345 | - |
| Festive bonus-workers | - | 18,390 |
| Incentives to employees | 714,316 | 29,584 |
| Maternity allowance | 66,185 | - |
| Medical benefits & expenses | 1,027,362 | 90,640 |
| Medical/health insurance - employees | 41,075 | - |
| Overtime expenses | 1,383,353 | 189,350 |
| Overtime - temporary worker | 28,721 | - |
| Production incentive-workers | 1,755,984 | - |
| Staff welfare expenses | 522,742 | 18,600 |
| Tiffin expenses | 2,188,156 | - |
| Transport allowance – workers | 5,397,625 | - |
| Wages | 80,226,890 | 1,730,411 |
| Overtime-worker | 15,402,798 | - |
| Worker - welfare expenses | 28,025 | - |
| Sub-Total [ b ] | 119,851,371 | 2,076,975 |
| **Grand Total [ a + b ]** | **229,517,451** | **9,435,107** |



A member firm of Ernst & Young Global Limited
EY refers to the global organization, and/or one or more of the independent member firms of Ernst & Young Global Limited

| | For the year ended 31 March | |
|---|---|---|
| | 2018 | 2017 |
| | Amounts in BDT | |

**22.00 General, administrative and factory expenses:**

| | | |
|---|---|---|
| Accommodation expenses | 1,940,639 | 1,008,435 |
| Administration fees | 19,779 | - |
| Admin exp recharges | 44,760 | - |
| Advertisement expenses (BEPZA) | 1,248,149 | 121,095 |
| Auditors' Remuneration | 605,764 | 225,030 |
| Automation Fees - BEPZA | 23,243 | - |
| Buyer's quality control personnel expenses | 961,131 | - |
| Car hire charges - on call | 1,344,416 | - |
| Car parking charges | 166,215 | 31,540 |
| Car running expenses | 2,578,965 | - |
| Canteen expenses | 219,209 | - |
| Communication expenses | 1,339,368 | 494,645 |
| Consultancy fees | 696,060 | 447,019 |
| Concurrent audit expenses | 207,000 | - |
| Conveyance expenses | 35,155 | - |
| Courier charges | 1,492,145 | 399,384 |
| Compliance expenses | 314,753 | - |
| Depreciation | 30,413,333 | - |
| Donations | 200,000 | - |
| Diesel for generator & boiler | 10,062,738 | - |
| Display & signage's expenses | 691,501 | - |
| Designing expenses | 188,754 | - |
| Electricity expenses | 7,475,212 | - |
| Entertainment expenses | 3,651,643 | 832,141 |
| Equipment rent | 104,328 | 5,060 |
| Expatriate work permit and visa charges | 749,392 | 16,500 |
| Extra processing charges | 374,318 | - |
| Factory audit - compliance | 418,299 | - |
| Factory rent - AEPZ | 70,798,481 | 21,918,549 |
| Factory consumables | 2,080,299 | - |
| Gas Expenses | 17,948 | - |
| Generator hire charges | 868,274 | 48,845 |
| Government fees | 459,041 | 315,327 |
| Handling/transport charges | 96,743 | 43,820 |
| Hotel stay charges | 2,069,905 | 1,874,986 |
| Housekeeping & cleaning | 4,013,445 | 107,042 |
| Immigration/visa expenses | - | 38,964 |
| Insurance general and travel | 3,029,100 | 52,537 |
| Insurance - boiler & pressure vessels | 2,255 | - |
| Inspection Fees | 14,181 | - |
| Internal audit fees | 473,983 | - |
| IT consumables | 784,452 | - |
| Legal & professional charges | 31,945 | 38,410 |
| License fee | 367,288 | 58,650 |
| Loading & unloading charges | 876,318 | - |
| Loss on sale of tangible assets | 48,082 | - |
| Management fees | 2,493,381 | - |
| Membership & subscription fees | 7,200 | 62,500 |
| Miscellaneous expenses | 2,632,411 | 1,844,870 |
| Mould making expenses | 11,550 | - |
| Newspaper, books & periodicals | 22,252 | - |
| Office supplies | 1,475,610 | 1,104,868 |
| Other consumables | 1,452,858 | - |
| Plant and machinery hire charges | 4,556,657 | 481,356 |
| Postage and stamps expenses | 139,499 | 11,360 |
| Printing and stationery | 1,969,596 | 105,339 |
| Recruitment expenses | 869,063 | 1,088,296 |
| Repair & maintenance-factory | 346,886 | - |



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EY refers to the global organization, and/or one or more of the independent member firms of Ernst & Young Global Limited

| | For the year ended 31 March | |
|---|---|---|
| | 2018 | 2017 |
| | Amounts in BDT | |
| Repair & maintenance - machinery | 9,750 | - |
| Repairs and maintenance | 5,975,071 | 179,581 |
| Rent - equipment | 23,184 | - |
| Rent factory land - AEPZ | 276,899 | - |
| Rent land - IEPZ | 1,086,446 | - |
| Rent residence premises - AEPZ | 282,600 | - |
| Rent - pool car | 1,634,493 | - |
| Sample expenses | 2,917,468 | 105,969 |
| Security charges | 6,374,368 | 648,940 |
| Safety consumable expenses | 108,769 | - |
| Service expenses | 120,841 | 179,089 |
| Short shipment cert. expenses | 63,300 | - |
| Spare parts | 2,454,619 | - |
| Special event/celebration expenses | 923,366 | - |
| Staff training expenses | 734,478 | - |
| Stationary and general consumable | 5,018,609 | - |
| Showroom expenses | 9,776 | - |
| Travel expenses | 16,348,125 | 6,967,923 |
| Toll charges | 62,775 | - |
| Uniform expenses | 116,357 | - |
| Taxi & car hire charges | 253,887 | - |
| Utility | - | 213,863 |
| Vehicle fuel | 2,263,983 | 732,438 |
| Water charges | 1,157,686 | - |
| | **217,791,823** | **41,804,369** |

* Auditors Remuneration includes statutory audit fees which represent provision for the auditor's remuneration for the audit of company's financial statement for the said period.

**23.00 Commercial expenses**

| | | |
|---|---|---|
| Air freight charges | 5,240,958 | - |
| Bank charges - LC | 587,980 | - |
| Bank charges - TT | 68,040 | - |
| Bank charges- export | 263,008 | - |
| C&F charges - import | 1,128,345 | - |
| C&F charges - export | 1,726,716 | - |
| C&F charges- others | 344,544 | - |
| Certificate of origin fees | 26,210 | - |
| Customs clearing charges | 1,413,195 | 107,140 |
| Demurage/Storage | 1,267,237 | - |
| Export charges | 738,870 | - |
| EPB expenses (Export Promotion Bureau) | 137,470 | - |
| Import charges | 1,099,958 | 24 |
| Insurance - import | 156,491 | - |
| Insurance - export | 204,167 | - |
| Inland transport - outward | 4,322,381 | - |
| Inland transport - Inward | 1,779,328 | - |
| Miscellaneous - commercial | 387,200 | - |
| Sea freight charges | 1,526,049 | 229,159 |
| | **22,418,146** | **336,323** |

**24.00 Training line expenses:**

| | | |
|---|---|---|
| Fabric | 525,307 | 633,377 |
| Trims and accessories | 780,212 | 52,105 |
| Spare parts | - | 15,105 |
| Stationary and general consumable | - | 134,129 |
| | **1,305,519** | **834,716** |



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| | For the year ended 31 March | |
|---|---|---|
| | 2018 | 2017 |
| | Amounts in BDT | |

**25.00 Foreign exchange gain**

| | | |
|---|---|---|
| Foreign exchange gain | 16,684,475 | 634,718 |
| | **16,684,475** | **634,718** |

**26.00 Other income**

| | | |
|---|---|---|
| Interest on fixed deposit | 12,398 | - |
| Miscellaneous income | 1,963 | - |
| Sales-others | 195,091 | - |
| Scrap sales | 345,020 | - |
| | **554,471** | **-** |

**27.00 Finance expenses**

| | | |
|---|---|---|
| Bank charges | 460,962 | 33,836 |
| Processing charges-loan | 270,175 | - |
| Bank interest- clean import loan | 683,940 | - |
| | **1,415,077** | **33,836** |

None of the directors or the managing director of the company has ever taken any loan from the company and thus no interest is recoverable from them.

**28.00 Employee information**

The company has 243 salaried employees including supervisors & 1,313 salaried workers as on 31 Mar 2018. All of them receives total remuneration in excess of BDT 36,000 per annum.

**29.00 Related party disclosure**

During the period under audit, the Company carried out a number of transactions with related parties in the normal course of business on an arm's length basis. Names of those related parties, nature of those transactions and their total value have been set out in accordance with the provisions of BAS-24: Related Party Disclosure.

| Name of the parties | Type of relation | Nature of transaction | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|---|
| | | | Amounts in BDT | |
| Progress Manufacturing Group Limited | Parent company | Payable | 1,055,038,148 | 146,713,356 |
| Progress Manufacturing Group Limited | Parent company | (Receivable) | (265,292,316) | - |
| Norwest Industries Limited | Associate company | (Receivable) | (19,003,100) | - |
| Twins Asia Limited | Associate company | Payable | 961,131 | - |
| Design Are UK Ltd. | Associate company | Payable | 47,738 | - |
| Poeticgem Limited | Associate company | Payable | 563,072 | - |
| Green Smarts Shirts Limited | Associate company | (Receivable) | (755,558) | 35,250 |

**30.00 Contingent Liabilities**

The Contingent liability of the company, as on close of the period was Taka 6,03,52,605/= on account of various LCs opened by the bank in favour of supplier of raw material, where materials has not yet been received and Taka 2,76,085/= on account of unconditional and continuous Bank Guarantees issued in favour of Commissioner of Customs, Customs House, Chittagong in relation with exemption of import/custom duty towards import of capital machineries in AEPZ.

Managing Director

Chief Financial Officer



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Company Registration no. 10440973 (England and Wales)

# DESIGN ARC UK LIMITED

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE PERIOD ENDED 31 MARCH 2018

UHY Hacker Young
Chartered Accountants

**DESIGN ARC UK LIMITED**

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**DESIGN ARC UK LIMITED**

**COMPANY INFORMATION**

| | |
|---|---|
| **Directors** | Mrs P Seth<br>Mr D Burman<br>Mr R Chadha |
| **Secretary** | Mr K Kanodia |
| **Company number** | 10440973 |
| **Registered Office** | Quadrant House – Floor 6<br>4 Thomas More Square<br>London<br>E1W 1YW |
| **Auditor** | UHY Hacker Young LLP<br>Quadrant House<br>4 Thomas More Square<br>London<br>E1W 1YW |

## DESIGN ARC UK LIMITED

## THE DIRECTORS' REPORT

## FOR THE PERIOD ENDED 31 MARCH 2018

The directors present their report and the financial statements of the company for the period ended 31 March 2018.

**Principal activities**
The principal activity of the company is the importing and distribution of garments.

**Results and dividends**
Loss for the period amounted to £137,675. The directors have not recommended a dividend.

The company was incorporated on 21 October 2016 and began trading on 1 April 2017.

**Directors**
The directors who served the company during the period were as follows:

| | |
|---|---|
| Mrs P Seth | (appointed 21 October 2016) |
| Mr D Burman | (appointed 21 October 2016) |
| Mr R Chadha | (appointed 21 October 2016) |

**Auditor**
UHY Hacker Young LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

**Statement of directors' responsibilities**
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). 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 year. In preparing these financial statements, the directors are required to:

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

**Statement of directors' responsibilities**

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. They 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.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

By order of the board

.....

Mr R Chadha
**Director**

24 May 2018

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

# DESIGN ARC UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

## DESIGN ARC UK LIMITED

## FOR THE PERIOD ENDED 31 MARCH 2018

**Opinion**
We have audited the financial statements of Design Arc UK Limited (the 'company') for the period ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, 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 March 2018 and of its loss for the period 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.

**Use of our report**
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken 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.

**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.

**UHY Hacker Young LLP**
Quadrant House
4 Thomas More Square
London E1W 1YW



**Other information**
The other information comprises the information included in the annual report, other than the financial statements and out auditor's report thereon. The directors are responsible for the other information. 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 our 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 the 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 where 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW



**Responsibilities of directors**
As explained more fully in the Directors' Responsibilities Statement, 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Vinodkumar Vadgama (Senior Statutory Auditor)**
**for and on behalf of UHY Hacker Young**

**Chartered Accountants**
**Statutory Auditor**

25 May 2018

## DESIGN ARC UK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE PERIOD ENDED 31 MARCH 2018

| | Notes | Period ended 31 March 2018 £ |
|---|---|---|
| **Revenue** | 4 | 989,642 |
| Cost of sales | | - |
| **Gross profit** | | 989,642 |
| Distributions costs | | (6,169) |
| Administrative expenses | | (1,121,148) |
| **Operating loss** | 3 | (137,675) |
| Taxation | 6 | - |
| **Loss for the financial period** | | (137,675) |

There are no other comprehensive income and expenses, other than those passing through the income statement.

The notes on pages 11 to 20 form part of these financial statements.

## DESIGN ARC UK LIMITED

### STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

| | Note | 2018<br>£ |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 7 | 14,671 |
| **Current assets** | | |
| Trade and other receivables | 8 | 168,991 |
| Cash and cash equivalents | | 160,862 |
| | | 329,853 |
| **Total assets** | | 344,524 |
| **Current liabilities** | | |
| Trade and other payables | 9 | (432,199) |
| **Total liabilities** | | (432,199) |
| **Net current liabilities** | | (102,346) |
| **Net liabilities** | | (87,675) |
| **Shareholders' equity** | | |
| Share capital | 11 | 50,000 |
| Retained earnings | 12 | (137,675) |
| **Total equity** | | (87,675) |

These financial statements were approved by the board of directors and authorised for issue on 24 May 2018 and were signed on its behalf by:

.....

Mr R Chadha
**Director**

**Company Registration Number: 10440973**

The notes on pages 11 to 20 form part of these financial statements.

## DESIGN ARC UK LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE PERIOD ENDED 31 MARCH 2018

| | Share capital £ | Retained earnings £ | Total £ |
|---|---|---|---|
| **Balance at 21 October 2016** | | | |
| Issued share capital | 50,000 | - | 50,000 |
| **Comprehensive income** | | | |
| Loss for the period | - | (137,675) | (137,675) |
| **Balance at 31 March 2018** | 50,000 | (137,675) | (87,675) |

The notes on pages 11 to 20 form part of these financial statements.

## DESIGN ARC UK LIMITED

## CASH FLOW STATEMENT

## FOR THE PERIOD ENDED 31 MARCH 2018

| | Notes | 2018<br>£ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | 13 | 129,079 |
| **Net cash generated from operating activities** | | 129,079 |
| **Cash flows from investing activities** | | |
| Payments to acquire property, plant and equipment | | (18,217) |
| **Net cash used in investing activities** | | (18,217) |
| **Cash flows from financing activities** | | |
| Issue of ordinary shares | | 50,000 |
| **Net cash generated from financing activities** | | 50,000 |
| **Net increase in cash and cash equivalents** | | 160,862 |
| Cash and cash equivalents at the start of the year | | - |
| **Cash and cash equivalents at the end of the year** | | 160,862 |

| | 2018<br>£ |
|---|---|
| **Cash and cash equivalents comprise:** | |
| Cash at bank and in hand | 160,862 |

The notes on pages 11 to 20 form part of these financial statements.

## 1. ACCOUNTING POLICIES

**General information**
Design Arc UK Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the Directors' Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

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

**Basis of preparation**
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 the historical cost basis. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Revenue**
Revenue is measured at the fair value of the consideration received or receivable.

Commission receivable is earned when the supplier ships the goods to the end customers.

**Property, plant and equipment**
All property, plant and equipment are initially recorded at cost.

**Depreciation**
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & fittings – 20% per annum on reducing balance

**Impairment**
The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

## 1. ACCOUNTING POLICIES (CONTINUED)

**Going concern**
The financial statements have been prepared on a going concern basis. At the balance sheet date, the company's liabilities exceeded its current assets by £87,675.

The directors consider the going concern basis to be appropriate because, in their opinion, the company's trading performance will improve in the coming year with the development of new customers despite continuing difficult market conditions. The company will also continue to obtain sufficient funding from within the group to enable it to pay its debts as they fall due. If the company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

**Operating lease agreements**
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Taxation**
Income tax expense represents the current tax payable and deferred tax provisions.

**Current tax**
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

## 1. ACCOUNTING POLICIES (CONTINUED)

**Financial instruments**
The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition, non-derivative financial instruments are measured as described as follows:

- **Trade and other receivables**
  Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

- **Trade and other payables**
  Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

- **Cash and cash equivalents**
  Cash for the purposes of the statement of cash flows comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

**Foreign currencies**
Transactions in currencies, other than pounds sterling, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

**New IFRSs and interpretations not applied**
The following standards, amendments and interpretations are not yet effective and have not yet been adopted early by the company:

| | **Effective for period beginning on or after** |
|---|---|
| IFRS 9 Financial Instruments | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15 | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |

The adoption of these standards, amendments and interpretations is not expected to have a material impact of the company's results for the year or equity.

## 2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements.

## 3. OPERATING (LOSS)

| Operating (loss) has been arrived at<br>After charging: | **2018**<br>**£** |
|---|---|
| Staff costs (see note 5) | 795,801 |
| Fees payable to auditors: | |
| Audit of annual financial statements | 5,500 |

## 4. REVENUE

**Revenues by category**

The company's operations are located in the UK and the business activity is reportable as follows:

| | **2018**<br>**£** |
|---|---|
| **Analysis of revenue by category:** | |
| Commission receivable | 989,642 |
| | 989,642 |

## 5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

| | 2018<br>No |
|---|---|
| Design | 19 |
| Sales | 2 |
| Management | 1 |
| | 22 |

The aggregate payroll costs of the above were:

| | 2018<br>£ |
|---|---|
| Wages and salaries | 717,073 |
| Social Security costs | 74,996 |
| Pension | 3,732 |
| | 795,801 |
| **Directors' emoluments** | |
| Emoluments for qualifying services | 129,000 |

## 6. TAXATION

| | 2018<br>£ |
|---|---|
| **Current tax expense:** | |
| UK corporation tax | - |
| **Reconciliation of current tax expense to accounting (loss):** | |
| (Loss) before taxation | (137,675) |
| Notional taxation charge at the UK corporation tax rate of 19% | (26,158) |
| Tax effects of: | |
| Group relief claimed | 23,621 |
| Fixed asset differences | 1,356 |
| Other differences | 1,181 |
| **Total current tax charge for the year** | - |

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

## 7. PROPERTY, PLANT & EQUIPMENT

| | Fixtures, Fittings & Equipment £ | Total £ |
|---|---|---|
| **Cost** | | |
| At 21 October 2016 | - | - |
| Additions | 18,217 | 18,217 |
| Disposals | - | - |
| At 31 March 2018 | 18,217 | 18,217 |
| **Depreciation** | | |
| At 21 October 2016 | - | - |
| Charge for the year | (3,546) | (3,546) |
| At 31 March 2018 | (3,546) | (3,546) |
| **Net book value** | | |
| At 31 March 2018 | 14,671 | 14,671 |

## 8. TRADE AND OTHER RECEIVABLES

| | 2018 £ |
|---|---|
| Other debtors | 44,266 |
| VAT recoverable | 5,126 |
| Amounts owed by group undertakings (note 10) | 111,460 |
| Prepayments and accrued income | 8,139 |
| | 168,991 |

As at 31 March 2018, none of the trade receivables were overdue.

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because they are all factored and its customer base is large and unrelated.

## 9. TRADE AND OTHER PAYABLES

| | 2018<br>£ |
|---|---|
| Trade creditors | 704 |
| Amounts due from fellow group undertakings (note 10) | 365,361 |
| Social security and other taxes | 28,355 |
| Accruals and deferred income | 37,779 |
| | 432,199 |

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs.

All trade and other payables are due to be paid within 12 months of the balance sheet date. The fair value of trade and other payables are the same as the carrying value shown above.

## 10. RELATED PARTY TRANSACTIONS

During the year, the company entered into the following transactions with related parties:

| | FOB transfers/ Commission received 2018<br>£ | Amounts owed (to) /by related party 2018<br>£ |
|---|---|---|
| Poeticgem Limited, UK | - | (164,081) |
| Norwest Industries Limited, Hong Kong | - | (201,280) |
| Design Arc Asia Limited, Hong Kong | 989,642 | 110,973 |
| Progress Apparel Bangladesh Limited, Bangladesh | - | 487 |

## 10. RELATED PARTY TRANSACTIONS (CONTINUED)

The above companies are related as follows:

Global Textile Group Limited has 85% shareholding in Design Arc UK Limited and 100% shareholding in Poeticgem Limited.

Norwest Industries Limited, Hong Kong holds 85% shareholding in Design Arc Asia Limited and is a fellow subsidiary of Global Textile Group Limited.

Progress Apparel Bangladesh Limited is a fellow subsidiary of Global Textile Group Limited.

The above balances are interest free and repayable on demand.

## 11. SHARE CAPITAL

| **Issued and fully paid:** | **2018**<br>**£** |
|---|---|
| 50,000 Ordinary shares of £1 each | 50,000 |

During the period, 50,000 shares were issued at par.

## 12. RETAINED EARNINGS

| | **2018**<br>**£** |
|---|---|
| Balance brought forward | - |
| Loss for the financial year | (137,675) |
| Balance carried forward | (137,675) |

## 13. NOTES TO THE CASH FLOW STATEMENTS

| **Notes to the cash flow statement** | **2018** |
|---|---|
| | **£** |
| **Cash flows from operating activities** | |
| (Loss) from operations | (137,675) |
| Adjustments for: | |
| Depreciation of property, plant and equipment | 3,546 |
| **Operating cash flows before working capital** | (134,129) |
| Decrease / (Increase) in receivables | (168,991) |
| (Decrease) / Increase in payables | 432,199 |
| **Cash generated from operations** | 129,079 |

## 14. CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimization of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings. The company also receives borrowings from its parent and fellow group companies.

## 15. CONTINGENT LIABILITIES

At the balance sheet date, the company had no contingent liabilities.

## 16. CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders through the optimization of the equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising of issued capital, reserves and retained earnings. The company also receives borrowings from its parent and fellow group companies.

## 17. FINANCIAL RISK MANAGEMENT

The following section provides quantitative and qualitative disclosures on the effect that these risks have upon the company.

***Credit Risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available the company uses other publicly available financial information. The company's exposure and the credit ratings of its counterparties are continuously monitored.

The company does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics.

The company's principal financial assets are receivables and cash at bank.

***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors forecasts of the company's liquidity reserve, comprising cash and cash equivalents, on the basis of expected cash flow. At 31 March 2018, the company held cash and cash equivalents of £160,862.

***Foreign currency risk***

The company's functional and presentation currency and the majority of its spending as well as financing facilities are in GBP. As such, no exchange rate risk exists. The company has no deposit or loan facilities, hence is not affected by interest rate fluctuations.

## 18. ULTIMATE PARENT COMPANY

The controlling party of the company is Global Textile Group Limited by virtue of its 85% ownership of the ordinary share capital and overall board control.

The ultimate parent company is PDS Multinational Fashions Limited, a company registered in India. PDS Multinational Fashions Limited prepares group financial statements and copies can be obtained from # 758 and 759, 2nd Floor, 19th Main Road, Sector-2, HSR Layout, Bangalore 560102.

PDS Multinational Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

**DESIGN ARC UK LIMITED**

**MANAGEMENT INFORMATION**

**FOR THE PERIOD ENDED 31 MARCH 2018**

## DESIGN ARC UK LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

## FOR THE PERIOD ENDED 31 MARCH 2018

| | | 2018 |
|---|---|---|
| | £ | £ |
| **Turnover** | | 989,642 |
| **Cost of sales** | | |
| Purchases | - | |
| | | - |
| **Gross profit** | | 989,642 |
| Distribution costs | | (6,169) |
| Administrative expenses | | (1,121,148) |
| **Operating loss** | | (137,675) |
| Other gains and losses | | - |
| **Loss before tax** | | (137,675) |

## DESIGN ARC UK LIMITED

## SCHEDULE OF DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

## FOR THE PERIOD ENDED 31 MARCH 2018

| | 2018<br>£ |
|---|---|
| **Distribution costs** | |
| Samples | 6,169 |
| | 6,169 |
| **Administrative expenses** | |
| Wages and salaries | 666,273 |
| Staff recruitment costs | 6,320 |
| Directors' remuneration | 129,000 |
| Directors' pension costs - defined contribution scheme | 528 |
| Rent re operating leases | 57,834 |
| Power, light and heat | 2,769 |
| Property repairs and maintenance | 1,999 |
| Computer running costs | 4,929 |
| Motor running expenses | 43,462 |
| Travelling expenses | 38,178 |
| Postage, courier and delivery charges | 43,562 |
| Legal and professional fees | 15,143 |
| Consultancy fees | 51,931 |
| Audit fees | 5,500 |
| Charitable donations | 20,000 |
| Bank charges | 73 |
| Insurances (not premises) | 1,293 |
| Printing and stationery | 1,697 |
| Advertising | 500 |
| Telecommunications | 5,647 |
| Other office supplies | 15,799 |
| Sundry expenses | 5,031 |
| Depreciation | 3,680 |
| | 1,121,148 |

A. Qasem & Co.
Chartered Accountants

# Auditors' Report
# &
# Audited Financial Statement
# OF
# Green Smart Shirts Limited
## As at & For the year ended 31 March 2018

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A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
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Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone: 880-2-8881824-6
Fax : 880-2-8881822
E-mail : aqasem@aqcbd.com

## Independent Auditors' Report
## To the shareholders of Green Smart Shirts Limited

We have audited the accompanying financial statements of Green Smart Shirts Limited as at 31 March 2018 which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Green Smart Shirts Limited as at 31 March 2018, and of its financial performance for the period then ended in accordance with the Companies Act, 1994, Bangladesh Financial Reporting Standards (BFRS), and comply with other applicable rules and regulations.

### We also report that

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

b) In our opinion, proper books of account as required by law have been kept by the management so far as it appeared from our examination of those books; and

c) The financial statements of the company dealt by the report are in agreement with the books of accounts.

Dated, Dhaka
29 April 2018

A. Qasem & Co.
Chartered Accountants



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Building a better working world

# Green Smart Shirts Limited
## Statement of Financial Position
## As at 31 March 2018

| | Notes | As at 31 March 2018 | As at 31 March 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4.00 | 276,531,281 | - |
| Intangible assets | 5.00 | 3,613,541 | - |
| Capital work in progress | 6.00 | 319,839,136 | 130,629,576 |
| | | **599,983,958** | **130,629,576** |
| **Current assets** | | | |
| Inventory | 7.00 | 935,099 | 20,358 |
| Advances, deposits and prepayments | 8.00 | 146,871,135 | 63,588,293 |
| Inter company receivables | 9.00 | 67,232,758 | 35,250 |
| Cash and cash equivalents | 10.00 | 18,135,325 | 32,833,065 |
| | | **233,174,317** | **96,476,966** |
| **Total assets** | | **833,158,275** | **227,106,542** |
| **Shareholders' equity & liabilities** | | | |
| **Shareholders' equity** | | | |
| Share capital | 11.00 | 50,697,300 | 4,052,200 |
| Share money deposit | 12.00 | 795,636,528 | 159,912,775 |
| Retained earnings | | (128,847,007) | (16,966,512) |
| | | **717,486,821** | **146,998,463** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Other payables | 13.00 | 114,915,897 | 33,308,079 |
| Inter company payables | 14.00 | 755,558 | 46,800,000 |
| | | **115,671,454** | **80,108,079** |
| **Total shareholders' equity & liabilities** | | **833,158,275** | **227,106,542** |

**FOOTNOTES:**

1. Auditors' Report - Page 1.
2. The accompanying notes 1.00 to 21.00 form an integral part of these financial statements.

**Managing Director**

**Director**

Dated, Dhaka
29 April 2018

**A. Qasem & Co**
Chartered Accountants



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# Green Smart Shirts Limited
## Statement of Profit or Loss and Other Comprehensive Income
## For the year ended 31 March 2018

| | Notes | For the year ended 31 March 2018 | For the period from 4 May 2016 to 31 March 2017 |
|---|---|---|---|
| **Revenue** | | | |
| Export sales | | - | - |
| Less: cost of good sold | | - | - |
| **Gross profit** | | - | - |
| Other operating income | | - | - |
| | | - | |
| **Operating expenses** | | | |
| General and administrative expenses | 15.00 | 111,952,586 | 16,979,602 |
| | | **111,952,586** | **16,979,602** |
| **Operating loss** | | **(111,952,586)** | **(16,979,602)** |
| Financial income | 16.00 | 72,091 | 13,090 |
| **Loss before tax** | | **(111,880,495)** | **(16,966,512)** |
| Income tax expenses | | - | - |
| **Loss before tax** | | **(111,880,495)** | **(16,966,512)** |
| Other comprehensive income for the period | | - | - |
| **Total comprehensive loss for the period** | | **(111,880,495)** | **(16,966,512)** |

**FOOTNOTES:**

1. Auditors' Report - Page 1.
2. The accompanying notes 1.00 to 21.00 form an integral part of these financial statements.

**Managing Director** | **Director**

Dated, Dhaka
29 April 2018

**A. Qasem & Co**
Chartered Accountants



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# Green Smart Shirts Limited
## Statement of Changes in Shareholder's Equity
## For the year ended 31 March 2018

Amounts in BDT

| Particulars | Share capital | Retained earnings | Share money deposit | Total |
|---|---|---|---|---|
| **Balance as at 31 March 2017** | **4,052,200** | **(16,966,512)** | **159,912,775** | **146,998,464** |
| **Addition during the year** | | | | |
| Share capital | 46,645,100 | - | - | 46,645,100 |
| Share money deposit | - | - | 635,723,753 | 635,723,753 |
| Total comprehensive loss for the period | - | (111,880,495) | - | (11,087,114) |
| **Balance as at 31 March 2018** | **50,697,300** | **(128,847,007)** | **795,636,528** | **818,280,203** |

Managing Director

Director

Dated, Dhaka
29 April 2018

A. Qasem & Co
Chartered Accountants



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# Green Smart Shirts Limited
## Statement of Cash Flows
## For the year ended 31 March 2018

| | For the period from 1 Apr 2017 to 31 March 2018 | For the period from 4 May 2016 to 31 March 2017 |
|---|---|---|
| | Amounts in BDT | |
| **Cash flows from operating activities** | | |
| (Loss) before tax | (111,880,495) | (3,904,468) |
| **Changes in working capital** | | |
| **(Increase)/decrease in current assets** | | |
| Inventory | (914,741) | - |
| Advances, deposits and prepayments | (83,282,842) | (8,976,595) |
| Inter company receivables | (67,197,508) | - |
| **Increase/(decrease) in current liabilities** | | |
| Other payable | 81,607,818 | 3,640,256 |
| Inter company payables | (46,044,443) | 46,800,000 |
| **Cash generated from operating activities** | **(227,712,211)** | **37,559,193** |
| Direct tax | - | - |
| **Net cash flows from operating activities** | **(227,712,211)** | **37,559,193** |
| **Cash flows from investing activities** | | |
| Payment for capital work in progress | (189,209,560) | (72,344,078) |
| **Net cash used in investing activities** | **(189,209,560)** | **(72,344,078)** |
| **Cash flows from financing activities** | | |
| Share capital | 46,645,100 | 4,049,200 |
| Share money deposit | 635,723,753 | 52,530,075 |
| **Net cash generated by financing activities** | **682,368,853** | **56,579,275** |
| **Net change in cash and cash equivalents** | **(14,697,740)** | **26,355,021** |
| Cash and cash equivalents at the beginning of the period | 32,833,065 | - |
| **Cash and cash equivalents at the end of the period** | **18,135,325** | **26,355,021** |
| **Represented by:** | | |
| Cash at bank | 16,305,333 | 26,238,472 |
| Cash in hand | 1,829,992 | 116,549 |
| | **18,135,325** | **26,355,021** |

Managing Director

Director

Dated, Dhaka
29 April 2018

A. Qasem & Co
Chartered Accountants



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Green Smart Shirts Limited
Notes to the Financial Statements
For the year ended 31 March 2018

## 1.00 Significant accounting policies and other material information

### 1.01 Company profile

Green Smart Shirts Limited (the "Company") was incorporated in Bangladesh on 6 May 2016 as a private company limited by shares under the Companies Act, 1994 with its registered office located at Doyal Centre, 3rd Floor, Suite No. A+B,, 15, Sonargoan Janapath, Sector - 13, Uttara, Dhaka, PO :1230, The factory is located at Tepirbari, Mowna, Sreepur, Gazipur.

### 1.02 Nature of business

The principal activity of the Company is to set up garments manufacturing factory and export garments to all over the world from Bangladesh.

## 2.00 Basis of preparation

### 2.01 Statement of compliance

The financial statements of the company have been prepared under historical cost convention in a going concern concept and on accrual basis in accordance with generally accepted accounting principles and practice followed in Bangladesh in compliance with The Companies Act 1994, The Securities and Exchange Rules 1987, International Accounting Standards (IASs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), as Bangladesh Accounting Standards (BASs) and other applicable laws and regulations.

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and the requirements of the Companies Act, 1994.

### 2.02 Functional and presentational currency and level of precision

The financial statements are presented in Bangladesh Taka (Taka/Tk), which is the Company's functional currency. Financial information presented in Taka have been rounded off to the nearest Taka.

### 2.03 Use of estimates and judgment

The financial statements was prepared by the management on the basis of best judgments, estimations and assumptions complying the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and underlying assumptions, which are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the year in which the estimates are revised and in any future years affected.

### 2.04 Reporting period

The financial report covers the period from 1 January 2018 to 31 March 2018.


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**2.05 Consistency of presentation**

The presentation and classification of all items in the financial statements have been retained from one period to another period unless where it is apparent that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies or changes is required by another BFRSs.

**2.06 Comparative information**

Comparative information has been disclosed in respect of the previous periods for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current period financial statements. Certain figures for previous period have been rearranged wherever considered necessary, as to ensure better comparability with the current period financial and to comply with relevant BASs. such as the comparative in SOPL&OCI is stated from the company's incorporation, i.e. 4 May 2016.

**2.07 Preparation and presentation of financial statements of the company**

The Board of Directors of the company is responsible for the preparation and presentation of the financial statements of the company.

**2.08 Components of the financial statements**

Comparative information has been disclosed as specified by BAS 34 "Interim Financial Reporting":

i) Statement of financial position as at the end of the immediately preceding financial year 31 March 2017.

ii) Statements of profit or loss and other comprehensive income of the immediately preceding financial year (year-to-date) 31 March 2017 and for the quarter end 31 March 2017.

iii) Statement of changes in equity for the comparable year-to-date period of the immediately preceding financial year 31 March 2017.

iv) Statement of cash flows for the comparable year-to-date period of the immediately preceding financial year 31 March 2017.

**3.00 Summary of significant policies**

**3.01 Principle of accounting policies**

Specific accounting policies were selected and applied by the company's management for significant transactions and events that have a material effect within the framework of BAS-1 "Presentation of Financial Statements" in preparation and presentation of financial statements.


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### 3.02 Accrual basis of accounting

The financial statements have been prepared, except statements of cash flows, under accrual basis of accounting in accordance with applicable Bangladesh Accounting Standards which do not vary from the requirements of the Companies Act, 1994 and other laws and rules as applicable in Bangladesh.

### 3.03 Going concern

The financial statements are prepared on a going concern basis. As per management assessment, there is no material uncertainty relating to events or condition which may cast doubt upon the Company's ability to continue as a going concern.

### 3.04 Statement of cash flows

The Statement of cash flows has been prepared in accordance with the requirements of BAS 7: Statement of cash flows. The cash generating from operating activities has been reported using the direct method.

### 3.05 Accounting policies, changes in accounting estimates and errors

***Accounting policies***

Accounting policies are the specific principles, bases, conventions, requirements and practices used by an entity in preparing and presenting its financial statements.

An existing accounting policy should only be changed where a new accounting will result in reliable and more relevant information being presented.

Any changes in accounting policy required to be accounted for retrospectively except where it is not practicable to determine the effect in prior periods.

***Accounting estimates***

The preparation of financial statements requires many estimates to be made on the basis of latest available and reliable information.

The effect of a change in accounting estimates should therefore be recognized prospectively.

***Prior period errors***

A prior period error is where an error has occurred even though reliable information was available when those financial statements were authorized for issue.

### 3.06 Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the date of statement of financial position or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.


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### 3.07 Taxation

The company is currently in pre operating stage. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

As an export oriented company, applicable tax rate for GSSL is 0.70% and 0.30% on gross receipts, 12% on net profit and the rate is 35% on other Income being a private limited company.

### 3.08 Recognition of capital work in progress

***Recognition and measurement***

According to BAS 16 "Property, Plant and Equipment" items of property, plant and equipment, excluding freehold land, freehold building and leasehold building, are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes (after deducting trade discount and rebates) and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner.

Part of an item of property, plant and equipment having different useful lives, are accounted for as separate items (major components) of property, plant and equipment.

***Subsequent costs***

The cost of replacing or upgrading part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

***Capital work in progress***

Capital work in progress consists of acquisition costs, capital components and related installation cost, until the date when the asset is ready to use for its intended purpose. In case of import of components, Capital work in progress is recognized when risks and rewards associated with such assets are transferred to the Company.

### 3.09 Transaction with related parties

The company carried out a number of transactions with related parties in the course of business and on arms length basis. Transaction with related parties has been appropriately recognized and disclosed in accordance with BAS 24 "Related Party Disclosures".

### 3.10 Foreign currency transactions

Foreign currency transactions are translated into Bangladesh Taka at the rate ruling on the transaction date. All monetary assets and liabilities at the statement of financial position date are retranslated using rates prevailing on that date. In accordance with Schedule-XI of the Companies Act 1994 all differences arising on outstanding foreign currency loans are adjusted against the project cost for which such foreign currency borrowing took place. This treatment is not in accordance with BAS-21: The Effects of changes in Foreign Exchange Rates, which requires all differences arising from foreign exchange transactions to be recognized in the comprehensive income statement. However management feels the impact on profit due to difference in treatment is immaterial.


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### 3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at banks which are held and available for use by the company without any restriction. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at financial institutions and short-term highly liquid investments with maturities of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### 3.12 Payables

The Company recognizes a financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

### 3.13 Provisions and contingencies

A provision is recognized on the date of statement of financial position if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.14 General comments and obligations

a) All the issued shares have been fully called and paid up;
b) There is no preference shares issued by the company;
c) The company has not incurred any expenditure in foreign currency against royalties and technical fees;
d) Auditors are paid only the statutory audit fees;
e) No foreign exchange was remitted to the shareholders during the year under audit;
f) No money was spent by the company for compensating any member of the board for rendering special services;
g) No bank guarantee was issued by the company on behalf of its directors.


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## 4.00 Property, plant and equipment

Amounts in BDT

| Particulars | Cost | | | | Rate % | Depreciation | | | | Written down value |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance | Addition / transfer during the year | Adjustment/ disposal during the year | Closing balance | | Opening balance | Charged during the year | Adjustment/ disposal during the year | Closing balance | |
| Air condition | - | 756,250 | - | 756,250 | 10% | - | 18,648 | - | 18,648 | 737,602 |
| Electronic installations | - | 41,133,895 | - | 41,133,895 | 10% | - | 517,665 | - | 517,665 | 40,616,230 |
| Furniture & fixture | - | 11,026,058 | - | 11,026,058 | 10% | - | 267,354 | - | 267,354 | 10,758,704 |
| IT equipments | - | 5,698,914 | - | 5,698,914 | 33% | - | 468,453 | - | 468,453 | 5,230,461 |
| Land | - | 95,722,339 | - | 95,722,339 | 0% | - | - | - | - | 95,722,339 |
| Low value assets | - | 1,032,994 | - | 1,032,994 | 100% | - | 1,032,994 | - | 1,032,994 | - |
| Machinery | - | 125,218,366 | - | 125,218,366 | 10% | - | 3,070,368 | - | 3,070,368 | 122,147,998 |
| Office equipment | - | 713,287 | - | 713,287 | 33% | - | 17,549 | - | 17,549 | 695,738 |
| Other equipments | - | 546,010 | - | 546,010 | 33% | - | 12,558 | - | 12,558 | 533,452 |
| Telephone installation & connection | - | 91,000 | - | 91,000 | 10% | - | 2,244 | - | 2,244 | 88,756 |
| **Total as at 31 March 2018** | **-** | **281,939,113** | **-** | **281,939,113** | | **-** | **5,407,832** | **-** | **5,407,832** | **276,531,281** |
| **Total as at 31 March 2017** | **-** | **-** | **-** | **-** | | **-** | **-** | **-** | **-** | **-** |

## 5.00 Intangible assets

*Amounts in BDT*

| Particulars | Cost | | | | Rate % | Depreciation | | | | Written down value |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance | Addition / transfer during the year | Adjustment/ disposal during the year | Closing balance | | Opening balance | Charged during the year | Adjustment/ disposal during the year | Closing balance | |
| Software/ERP | - | 3,812,098 | - | 3,812,098 | 25 | - | 198,557 | - | 198,557 | 3,613,541 |
| As at 31 March 2018 | - | 3,812,098 | - | 3,812,098 | | - | 198,557 | - | 198,557 | 3,613,541 |
| As at 31 March 2017 | - | - | - | - | | - | - | - | - | - |



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A. QASEM & Co.
Chartered Accountants
Since 1953

| | Notes | As at 31 March 2018 | 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **6.00 Capital work in progress** | | | |
| Opening balance | | 130,629,576 | - |
| Addition during the period | | 471,148,673 | 130,629,576 |
| | | **601,778,249** | **130,629,576** |
| Less: transfer during the period | | 281,939,113 | - |
| Closing balance at the end of the period | 6.01 | **319,839,136** | **130,629,576** |
| **6.01 Breakdown of closing balance at the end of the period** | | | |
| Air conditioner | | 40,589,338 | 711,750 |
| Buildings | | 8,612,373 | - |
| Capital work in progress - Building | | 254,339,490 | 43,594,541 |
| Capital work in progress - Fire equipment | | 2,658,089 | - |
| Capital work in progress - Furniture and fixture | | - | 5,291,117 |
| Capital work in progress - Others | | 18,459 | - |
| Capital work in progress - Plant and machinery | | - | - |
| Computer equipment | | - | 1,078,365 |
| Electrical installation | | 3,568,000 | 757,668 |
| Freehold land | | - | 77,547,483 |
| Furniture & fixtures | | 5,560,097 | - |
| Office equipment | | 540,000 | 303,300 |
| Other equipment | | - | 169,863 |
| Plant & machinery | | 3,187,100 | - |
| Pre-operative exp- Others | | 766,191 | 766,191 |
| Software/ERP | | - | 323,298 |
| Telephone installation and connection | | - | 86,000 |
| | | **319,839,136** | **130,629,576** |
| **7.00 Inventory** | | | |
| Fabric for training | | 13,755 | - |
| Fuel | | 578,700 | - |
| Mechanical, electrical & plumbing | | 2,280 | - |
| Stationaries & general consumable | | 203,061 | 6,039 |
| Store & spare parts | | 131,044 | 14,319 |
| Trims & accessories for training | | 6,258 | - |
| | | **935,099** | **20,358** |
| **8.00 Advances, deposits and prepayments** | | | |
| Advance against expenses | | 1,365,352 | - |
| Advance for land purchases | | - | 815,852 |
| Advance to others | 8.01 | 121,865,149 | 56,518,494 |
| Employee payable | | 1,765,330 | - |
| Prepayments- Insurance | | 1,838,575 | - |
| Security deposit- Rent | | 850,000 | 850,000 |
| Security deposits - Others | | 4,590,783 | - |
| Security deposits - Utilities | | 14,595,947 | 5,403,947 |
| | | **146,871,135** | **63,588,293** |



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| | Notes | As at 31 March 2018 | 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **8.01 Advance to others** | | | |
| Aja Bangladesh Ltd | | 94,875 | - |
| Alvanon Hk, Ltd. | | 868,968 | - |
| Anh Enterprise Limited | | 160,000 | - |
| Bando Apparels Ltd. | | 14,421,235 | - |
| Bangla Power | | 1,200,000 | 1,200,000 |
| Bangladesh Building Systems. Ltd. | | 11,153,230 | 10,168,600 |
| Baral Chemical Company Ltd. | | 12,625 | - |
| Bengal Polymer Wares Limited | | 1,600,000 | - |
| Bulbul Enterprise | | - | 1,500,000 |
| Binyash | | 2,485,000 | - |
| Biztech Business Ltd. | | 14,701,459 | - |
| Complete Building Solution | | 400,000 | - |
| Creative Decoration & Construction | | 50,000 | - |
| Cross World Ltd | | 852,350 | - |
| Dhl Worldwide Express(Bd) Pvt. Ltd. | | 120,848 | - |
| Disha Construction | | 6,320,102 | 9,398,462 |
| Disha Engineering Ltd | | 10,668,505 | 28,405,532 |
| Disha Propperties | | 1,614,650 | - |
| Dnr Developer | | 5,028,069 | - |
| Emkay Enterprises Ltd. | | 3,608,737 | 455,000 |
| Expo Freight Limited | | 476 | |
| Exzatech Solutions Ltd. | | 465,300 | - |
| Flora Limited | | 3,225,388 | - |
| Golden Sewing & Knitting Centre | | 100,000 | |
| Green Bulding Consultant | | 423,900 | - |
| Green Delta Insurance Co. Ltd. | | 115,195 | - |
| Haque & Associates | | - | 5,000 |
| Hvac Engineering Limited | | 12,155,297 | - |
| Ida(In-Depth Architecture) | | 250,000 | - |
| Impress Accessories Ltd | | 298,878 | - |
| Its Labtest Bangladesh Ltd | | 29,185 | - |
| L.M. Engineering & Technology | | 1,876,895 | - |
| M/S Mintu Enterprise | | 46,280 | - |
| M/S Zuel Traders | | 100,000 | - |
| M/S. Nahar Enterprise | | 200,000 | 200,000 |
| Marn Steel Structure Ltd. | | 580,000 | - |
| Md Abul Kalam | | 5,089,061 | 184,400 |
| Md. Shahjahan | | 143,000 | - |
| Meghna Group Of Industries | | 276,000 | - |
| Mohammed Trading | | 656,710 | - |
| Nayeem Engineering Works | | 600,000 | - |
| Nde Ready Mix Concrete Ltd. | | 1,431,032 | - |
| New-Tech International | | 460,000 | - |
| Precitech Construction Solution Com | | 573,500 | - |
| Property Care Services Bangladesh ( | | 92,000 | - |
| Purbachal Steel Mills Ltd. | | 948,765 | - |
| Saad Musa Group | | 10,934,180 | - |
| Shahjadpur Nazma Sanitary Mart | | 1,151,473 | - |
| Shantona Enterprise | | 300,000 | - |
| Yousuf Villa | | - | 1,500.00 |
| Others | | 143,184 | - |
| | | **121,865,149** | **56,518,494** |



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| | Notes | As at 31 March 2018 | 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **9.00 Inter company receivables** | | | |
| Green Apparel Industries Limited, Hong Kong | | 67,232,758 | - |
| Progress Apparel (BD) Ltd | | - | 35,250 |
| | | **67,232,758** | **35,250** |
| **10.00 Shareholders' equity** | | | |
| Cash at bank | 10.01 | 16,305,333 | 29,179,259 |
| Cash in hand | | 1,829,992 | 3,653,806 |
| | | **18,135,325** | **32,833,065** |
| **10.01 Cash at bank** | | | |
| BRAC Bank Ltd | | 6,341,640 | 84,244 |
| Commercial Bank of Ceylon | | 594,012 | 29,095,015 |
| Dutch Bangla Bank-19911013497-Main Bank Account [BDT] | | 2,686,462 | - |
| HSBC-Main Bank Account (BDT) | | 6,683,219 | - |
| | | **16,305,333** | **29,179,259** |
| **11.00 Share capital** | | | |
| **Authorized capital** | | | |
| 50,00,000 Ordinary Shares of Taka 100 each | | **500,000,000** | **500,000,000** |

As per Memorandum and Articles of Association of the Company, the shareholders agreed to take the shares in proportion in the capital as detailed below:

| | | |
|---|---|---|
| **Issued and paid up capital** | **50,697,300** | **4,052,200** |

Shareholding position as at 31 March 2018 and 31 March 2017 was as follows:

| | 31-Mar-18 | 31-Mar-17 | As at 31-Mar-18 | 31-Mar-17 |
|---|---|---|---|---|
| **Paid up capital** | **Shares held** | **Shares held** | **Value in BDT** | **Value in BDT** |
| Green Apparel Industries Limited, Hong Kong | 506,933 | 40,482 | 50,693,300 | 4,048,200 |
| Mr. Ajai Singh | 10 | 10 | 1,000 | 1,000 |
| Mr. Md. Fateh Ul Islam | 10 | 10 | 1,000 | 1,000 |
| Mr. Om Prakash Makam | 10 | 10 | 1,000 | 1,000 |
| Mr. Pallak Seth | 10 | 10 | 1,000 | 1,000 |
| | **506,973** | **40,522** | **50,697,300** | **4,052,200** |

| | | |
|---|---|---|
| **12.00 Share money deposit** | | |
| Opening balance | 670,499,650 | 91,649,575 |
| Addition during the period | 125,136,878 | 68,263,200 |
| | **795,636,528** | **159,912,775** |
| Less- Transfer to share capital | - | - |
| | **795,636,528** | **159,912,775** |



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| | Notes | As at 31 March 2018 | 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| **13.00 Other payables** | | | |
| A. Qasem & Co. | | 90,175 | 132,772 |
| A.M Engineering | | 868,000 | - |
| Aamra Networks Limited | | 278 | - |
| Al-Amin Engineering & S.S Metal | | 155,000 | - |
| Amann Bangladesh Ltd. | | 64,390 | - |
| Best Holdings Ltd.(Le Meriden Dhaka | | 62,838 | - |
| Braiform (Hk) Limited | | 99,051 | - |
| Coats Bangladesh | | 1,106,473 | - |
| Continental Insurance Limited | | 57,655 | - |
| Core Air Express Travels & Tours | | - | 8,937 |
| Creative Decoration & Construction | | - | 4,619 |
| Disha Construction | | - | 24,094,895 |
| Disha Engineering Ltd | | - | 3,923,014 |
| Elite Labels (Leicester) Ltd | | 2,089,460 | - |
| Etacol Bangladesh Ltd | | 234,399 | - |
| F V Bangladesh | | 3,821,538 | - |
| Golden Line Accessories Ltd. | | 290,503 | - |
| Golden Sewing & Knitting Centre | | - | - |
| Grameenphone Ltd | | 81,225 | - |
| Haque & Associates | | - | 20,000 |
| Hangzhou Hangmin Damei Dyeing | | 8,960,072 | - |
| Hms Trade International | | 2,200 | - |
| Hotel Highgarden | | 38,410 | - |
| Kalam Enterprise | | 412,258 | - |
| M/S. Bulbul Enterprise | | 769,951 | - |
| Mak & Co. | | 401,500 | - |
| Md. Nurul Huda | | 51,750 | - |
| Md. Siraj Uddin | | 354,000 | 354,000 |
| Montrims Ltd | | 150,005 | - |
| Mostan Engineering Works | | 1,553,500 | - |
| Multibiz Machinery | | 38,640 | - |
| Mz International (H.K.) Company | | 1,770,599 | - |
| Nayon Rent-A-Car | | 58,500 | - |
| Nilufar Rahman | | 143,750 | - |
| Nondon Nursery | | 3,000 | - |
| Nova Auto Bricks | | 28,400 | - |
| Packman Bangladesh Ltd | | 168,448 | - |
| Powermann Bangladesh Limited | | 2,175,000 | - |
| Prime Rent A Car | | 400,405 | - |
| Rq Agencies Ltd. | | 913,726 | - |
| Sabah Trade International Ltd | | 74,695 | - |
| Sajan International Trading Co. Ltd | | 95 | - |
| Smart Technologies (Bd) Ltd. | | 690,561 | 57,091 |
| Sml Packaging Solutions Bangladesh | | 1,155,065 | - |
| Sqr Energy Solution | | 313,000 | - |
| Srn Electronics | | 288,000 | - |
| The Alpha Engineering | | 1,000,000 | |
| The Way Dhaka | | 15,475 | - |
| Toray Jifa(Qingdao)Textile Co Ltd. | | 4,561,615 | - |
| Tory Plastic & Packaging Ltd | | 67,956 | - |
| Unique Ceramic Industries (Pvt.) Lt | | 512,000 | - |



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| | Notes | As at 31 March 2018 | 2017 |
|---|---|---|---|
| | | Amounts in BDT | |
| Vai Vai Stationary | | 37,331 | - |
| Zakaria Enterprise Ltd | | 8,910 | - |
| Provision (Gr/Ir ) | | 44,311,911 | - |
| Salary Payable | | 14,198,257 | 1,272,954 |
| Electricity Payable | | 655,000 | - |
| Employee Payable | | - | 328,500 |
| Bonus Payable | | 7,069 | 24,671 |
| Tds & Vds Payable | | 15,884,720 | 3,083,851 |
| Others Accruals Liabilties | | 3,719,136 | 2,775 |
| | | **114,915,897** | **33,308,079** |

**14.00 Inter company payables**

| | | | |
|---|---|---|---|
| Green Apparel Industries Limited, Hong Kong | | - | 46,800,000 |
| Progress Apparel (BD) Ltd | | 755,558 | - |
| | | **755,558** | **46,800,000** |



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| | For the period from 1 April 2017 to 31 March 2018 | For the period from 4 May 2016 to 31 March 2017 |
|---|---|---|
| | Amounts in BDT | |
| **15.00 General & administrative expenses** | | |
| Accommodation expenses | 155 | - |
| Advertisement charges | 133,847 | - |
| Air freight - Reclass | - | 1,655 |
| Amortization - Software/ERP | 198,557 | - |
| Annual maintenance contract | 36,000 | - |
| Auditors' remuneration | 274,776 | 250,384 |
| Bank charges - Others | 118,606 | 9,275 |
| Bank LC charges paid | 238,925 | - |
| Bonus - Staff | 1,376,214 | 141,649 |
| Bought sample expenses | 13,710 | 3,624 |
| Buyer's entertainment expenses | 154,403 | - |
| Car hire charges - On Call | 5,006,803 | 417,361 |
| Car parking charges | 9,410 | - |
| Clearance charges | 301,316 | - |
| Consump - Fabric - Body | - | - |
| Consump - Factory consumables | 86,429 | - |
| Consump - Stationery & general Consumables | 1,642,450 | - |
| Consump of Fabric - Training line | 68,480 | - |
| Conveyance expenses | 492,974 | 87,494 |
| Courier charges - International | 1,091,816 | 31,099 |
| Courier charges - Local | 59,035 | - |
| Custom clearing charges | 3,643,882 | - |
| Depreciation - Air conditioners | 18,648 | - |
| Depreciation - Electrical installations | 517,665 | - |
| Depreciation - Furniture & fixtures | 267,354 | - |
| Depreciation - IT equipment | 468,453 | - |
| Depreciation - Low value assets | 1,032,994 | - |
| Depreciation - Office equipment | 17,549 | - |
| Depreciation - Other equipment's | 12,558 | - |
| Depreciation - Plant & machineries | 3,070,368 | - |
| Depreciation- Telephone installation & connection | 2,244 | - |
| Designing expenses | - | 5,200 |
| Diesel for boiler | 1,223,710 | - |
| Directors remuneration | 2,762,700 | 2,106,000 |
| Donations | 104,000 | - |
| Electricity charges | 3,270,340 | 184,204 |
| Entertainment expenses | 847,406 | 225,684 |
| Festival Bonus-Workers | 415,585 | |
| Festival expenses- Staff | 725,468 | - |
| Food Allowance - Supervisor | 8,306 | - |



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| | For the period from 1 April 2017 to 31 March 2018 | For the period from 4 May 2016 to 31 March 2017 |
|---|---|---|
| | Amounts in BDT | |
| Food expenses - Staff | - | 14,280 |
| Foreign exchange gain/loss | - | 157,669 |
| Generator running & fuel | 874,250 | 9,425 |
| Gifts & testimonials | 9,048 | 7,600 |
| Government fees | 510,590 | 161,398 |
| Handling/transport charges | 3,026,676 | - |
| Hotel charges - Overseas | 1,998,007 | 485,068 |
| Housekeeping & cleaning expenses | 771,453 | 118,043 |
| Immigration/visa expenses | 78,352 | - |
| Insurance - Marine cargo | 183,920 | - |
| Insurance - Travel | 2,357 | 160,939 |
| Internal audit fees | 1,744,413 | - |
| Internet & email charges | 269,143 | - |
| Leave travel allowance | 168,000 | - |
| Legal & Professional Charges | 335,395 | 81,137 |
| License fees | 453,887 | 80,365 |
| Life insurance contributions- Staff | 202,730 | - |
| Life insurance contributions- Workers | 71,000 | - |
| Loading & unloading charges | 273,845 | - |
| Medical benefits & expenses | 13,911 | - |
| Miscellaneous expenses | 1,801,840 | 7,000 |
| Mobile phones expenses | 760,157 | 317,057 |
| Newspaper, books & periodicals | 1,000 | - |
| Office expenses | 293,524 | 349,359 |
| Office supplies | 251,009 | - |
| Overtime - Worker | 50,484 | - |
| Overtime expenses | 1,544 | |
| Plant and machinery hire charges | 61,750 | - |
| Postage & stamps expenses | 47,596 | - |
| Postage and stamps expenses | - | 792 |
| Prepaid insurance charged Off | 207,310 | - |
| Printing & stationery | 151,586 | 157,957 |
| Purchase trims & accessories - Sampling | 10,785 | - |
| Rates & taxes (local)/regn fees | 146,619 | 248,029 |
| Rent - Office | 2,346,000 | 2,001,400 |
| Repairs & maintenance - Air conditioners | 21,455 | - |
| Repairs & maintenance - Building | 9,400 | - |
| Repairs & maintenance - Computer equipment | 123,179 | - |
| Repairs & maintenance - Furniture & office Equip | 133,629 | - |
| Repairs & maintenance - Generator | 15,100 | 46,465 |



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| | For the period from 1 April 2017 to 31 March 2018 | For the period from 4 May 2016 to 31 March 2017 |
|---|---|---|
| | Amounts in BDT | |
| Repairs & maintenance - Others | 642,511 | - |
| Salary | 46,478,236 | 6,982,672 |
| Sales promotion expenses | - | 25,500 |
| Security charges | 3,671,967 | 306,440 |
| Service expense | 192,000 | 168,000 |
| Staff allowance expenses | 1,114,718 | 296,475 |
| Staff training expenses | 67,230 | 9,000 |
| Staff welfare expenses | 59,378 | - |
| Telephone expenses | 3,330 | 3,849 |
| Testing charges | 183,361 | - |
| Tiffin expenses | 5,700 | - |
| Travel overseas | 3,766,341 | 1,109,968 |
| Vehicle fuel | 1,895,581 | 210,086 |
| Wages | 6,638,412 | - |
| Wages - Temporary workers | 97,342 | - |
| Website subscription charges | 2,400 | - |
| | **111,952,586** | **16,979,602** |

## 16.00 Finance income

| | | |
|---|---|---|
| Bank interest received | 61,486 | 13,090 |
| Miscellanous income | 10,605 | - |
| | **72,091** | **13,090** |

## 17.00 Employee information

The company has 53 salaried Employee as on 31 March 2018. All permanent employees received total remuneration in excess of BDT 56,040 per annum.



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**18.00 Related party disclosure**

During the period under audit, the Company carried out a number of transactions with related parties in the normal course of business on an arm's length basis. Names of those related parties, nature of those transactions and their total value have been set out in accordance with the provisions of BAS-24: Related Party Disclosure.

| Name of the parties | Type of relation | Nature of transaction | Opening balance | Transaction during the period | Paid or received during the period | Closing balance as at 31 March 2018 |
|---|---|---|---|---|---|---|
| Green Apparel Industries Limited, Hong Kong | Parent | Short term financing | (46,800,000) | 114,032,758 | - | 67,232,758 |
| Progress Apparel (BD) Ltd | Associate Company | Short term financing (Administrative expenses) | 35,250 | (790,808) | - | (755,558) |

**19.00 Commitments and contingencies**

**Capital expenditure commitments**
The company does not have significant capital commitments as at the financial statement date.

**Contingent liabilities**
Contingent Liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

**20.00 General**

**20.01 Directors' remuneration for attending board meeting**

No Board meeting attendance fee paid by the company.

**20.02 Directors' remuneration for special service rendered.**

During the audit year has been paid to Managing Director and Directors for taka 2,762,700.

**20.03 Receivable from Directors**

Nothing is receivable from the Director.

**21.00 Events after the reporting period**

No significant event has been occurred after the reporting period to the date of signing of the financial statements to be considered for inclusion.

Managing Director

Director



A member firm of Ernst & Young Global Limited
EY refers to the global organization, and/or one or more of the independent member firms of Ernst & Young Global Limited

**PG SHANGHAI MFR CO. LTD.**
**BALANCE SHEET**
**FOR THE YEAR ENDED 31 MARCH 18**
**(IN RMB)**

| | RMB |
|---|---|
| NON-CURRENT ASSETS | |
| Property Plan and equipment | 68,398.15 |
| Other Assets | |
| Total non-current assets | 68,398.15 |
| | |
| CURRENT ASSETS | |
| Prepayments, deposits and other receivables | 446,941.90 |
| Cash and Cash Equivalents | 460,303.52 |
| **Total Current Assets** | 907,245.42 |
| | |
| CURRENT LIABILITIES | |
| Other payables and accruals | 227,107.16 |
| Due to Pearl GES Group Ltd, HK | 127,733.96 |
| **Total Current Liabilities** | 354,841.12 |
| | |
| **NET CURRENT ASSETS** | 552,404.30 |
| | |
| **Net Assets** | **620,802.45** |
| | |
| EQUITY | |
| Issued Capital | 1,260,157.50 |
| accumulated losses b/f | (569,375.11) |
| Profit/(loss) for Year | (69,979.94) |
| | |
| **Total Equity** | **620,802.45** |

PG SHANGHAI MANUFACTURER CO. LTD.

**PG SHANGHAI MFR CO. LTD.**
**PROFIT & LOSS ACCOUNT**
**FOR THE YEAR ENDED 31 MARCH 18**
**(IN RMB)**

| | RMB |
|---|---|
| INCOME | |
| Sales Commission | |
| Miscellanous Income | 9,626,291.14 |
| Claims & recovery | |
| Interest Income | 1,170.78 |
| TOTAL INCOME | 9,627,461.92 |
| OPERATING EXPENSES | |
| Salaries | 4,720,869.00 |
| Staff Welfare | 27,469.45 |
| Retirement Benefits | 1,760,826.34 |
| Medical Benefits | 491,603.23 |
| Employee Tax Paymant | 348,322.82 |
| Recruitment Expenses | 69,493.48 |
| Communication Expenses | 40,321.76 |
| Courier Expenses | 220,796.15 |
| Printing & Stationery | 93,198.88 |
| Local Travelling | 676,035.33 |
| Miscellenous Expenses | 346,126.49 |
| Repair & Maintenance | 21,292.70 |
| Depreciation | 12,290.66 |
| Entertainment | 21,094.23 |
| Car Rental | 9,328.40 |
| Office Rental | 605,880.00 |
| Office Supplies | 10,800.00 |
| Water & Electricity | 55,542.24 |
| Samples | 3,119.50 |
| Legal & Professional Fee | 158,552.20 |
| Bank Charges | 4,479.00 |
| TOTAL OPERATING EXPENSES | 9,697,441.86 |
| PROFIT/(LOSS) FOR THE PERIOD BEFORE TAX | (69,979.94) |
| income tax | |
| PROFIT/(LOSS) FOR THE PERIOD AFTER TAX | (69,979.94) |

**PG SHANGHAI MANUFACTURER CO. LTD.**

# SOURCING SOLUTIONS LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

# SOURCING SOLUTIONS LIMITED

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# SOURCING SOLUTIONS LIMITED

## REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited financial statements of the Company for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The principal activities of the Company are garment trading and provision of agency services.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of profit or loss and comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (16) to the financial statements. There were no movements during the year.

There were no movements in reserves except for changes to accumulated losses which arose from profit or loss.

### DIRECTORS

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

Pallak SETH
Deepak Kumar SETH
Imran Peter RATH

In accordance with Article 20 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the related party transactions as disclosed in Note (18) of the financial statements, no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company 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.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company and holding company (whether made by the Company or otherwise) or an associated company (if made by the Company).

## BUSINESS REVIEW

The Company falls within reporting exemption for the financial year. Accordingly, the Company is exempted from preparing a business review for this financial year.

## AUDITORS

The Company's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Deepak Kumar SETH
Chairman

Hong Kong, May 23, 2018.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOURCING SOLUTIONS LIMITED
**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the financial statements of Sourcing Solution Limited ("the Company") set out on pages 7 to 24, which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating to the Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the ultimate holding company and the attaining of profitable and positive cash flow operations, and the Company may turn to a commercially viable concern. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

## Information Other than the Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
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瑞信集團大廈九樓



**Responsibilities of Directors and Those charged with Governance for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
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**INDEPENDENT AUDITOR'S REPORT (CONT'D)**
**TO THE MEMBERS OF**
**SOURCING SOLUTIONS LIMITED**
**(incorporated in Hong Kong with limited liability)**

**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, 23 MAY 2018

# SOURCING SOLUTIONS LIMITED

## STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

### FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| REVENUE | (6) | 47,981,592 | 9,675,074 |
| COST OF SALES | | (44,655,899) | (8,794,994) |
| GROSS PROFIT | | 3,325,693 | 880,080 |
| OTHER INCOME AND GAINS | (6) | 5,241,712 | 2,227,483 |
| STAFF COSTS | | ( 318,781) | - |
| OTHER OPERATING EXPENSES | | (11,055,834) | (7,291,172) |
| LOSS FROM OPERATION | | ( 2,807,210) | (4,183,609) |
| FINANCE COSTS | (7) | ( 33,566) | ( 326) |
| LOSS BEFORE TAXATION | (8) | ( 2,840,776) | (4,183,935) |
| TAXATION | (10) | - | - |
| LOSS FOR THE YEAR | | ( 2,840,776) | (4,183,935) |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | ( 2,840,776) | (4,183,935) |

THE NOTES ON PAGES 11 TO 24 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# SOURCING SOLUTIONS LIMITED

## STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | HK$ | HK$ |
| Current Assets | | | |
| Amount due from a shareholder | (11) | 38,900 | 38,900 |
| Amounts due from related companies | (9ii) | 3,448,443 | 2,168,021 |
| Trade and other receivables | (12) | 16,847,272 | 3,651,978 |
| Cash and cash equivalents | | 484,282 | 1,311,000 |
| | | 20,818,897 | 7,169,899 |
| Current Liabilities | | | |
| Amounts due to related companies | (13) | 29,368,322 | 15,376,384 |
| Secured bank borrowings | (15) | 3,118,262 | - |
| Trade and other payables | (14) | 2,628,670 | 3,249,096 |
| | | 35,115,254 | 18,625,480 |
| NET LIABILITIES | | (14,296,357) | (11,455,581) |
| DEFICIT | | | |
| Share capital | (16) | 77,800 | 77,800 |
| Accumulated losses | | (14,374,157) | (11,533,381) |
| TOTAL DEFICIT | | (14,296,357) | (11,455,581) |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 23, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 24 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# SOURCING SOLUTIONS LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Accumulated Losses | Total |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| At April 1, 2016 | 77,800 | ( 7,349,446) | ( 7,271,646) |
| Loss for the year and total comprehensive loss for the year | - | ( 4,183,935) | ( 4,183,935) |
| At March 31, 2017 and April 1, 2017 | 77,800 | (11,533,381) | (11,455,581) |
| Loss for the year and total comprehensive loss for the year | - | ( 2,840,776) | ( 2,840,776) |
| At March 31, 2018 | 77,800 | (14,374,157) | (14,296,357) |

THE NOTES ON PAGES 11 TO 24 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# SOURCING SOLUTIONS LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | ( 2,840,776) | (4,183,935) |
| Adjustment for: | | |
| Bank interest income | ( 3) | ( 1) |
| Bank overdraft interest | 33,566 | 326 |
| **OPERATING LOSS BEOFRE WORKING CAPITAL CHANGES** | ( 2,807,213) | (4,183,610) |
| Net receipts from/(payment to) related companies | 12,711,516 | (2,138,729) |
| (Increase)/Decrease in trade and other receivables | (13,195,294) | 5,756,679 |
| Decrease in trade and other payable | ( 620,426) | (3,642,605) |
| Net cash (used in)/generated from operations | ( 3,911,417) | 1,282,674 |
| Bank interest received | 3 | 1 |
| Bank overdraft interest paid | ( 33,566) | ( 326) |
| Net cash (used in)/generated from operating activities | ( 3,944,980) | 1,282,349 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Net receipts from secured bank borrowings and net cash generated from financing activities | 3,118,262 | - |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | ( 826,718) | 1,282,349 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 1,311,000 | 28,651 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 484,282 | 1,311,000 |

THE NOTES ON PAGES 11 TO 24 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# SOURCING SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Sourcing Solutions Limited is a company in Hong Kong with limited liability. The principal activities of the Company are garment trading and provision of agency services. The address of its registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention and are presented in Hong Kong Dollars ("HK$"), which is also the Company's functional and presentation currency.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the Company's financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no material impact on the Company's financial statements for the year ended March 31, 2018.

c. Issued but not yet Effective Hong Kong Financial Reporting Standards

The Company has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended March 31, 2018, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Going Concern

The holding company and fellow subsidiary have confirmed their willingness to provide such financial assistance as is necessary to maintain the Company as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

e. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

f. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

g. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

h. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of profit or loss and comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial Liabilities

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's financial liabilities comprise trade and other payables and amount due to a fellow which are subsequently measured at amortized cost, using the effective interest method.

j. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

k. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

l. Translation of Foreign Currency

(i) 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 entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss and comprehensive income.

m. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the statement of profit or loss and comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

m. Taxation (Cont'd)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable loss will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax loss nor the accounting loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Statement of profit or loss and comprehensive income.

n. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

o. Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognized when the goods are delivered to buyer.
- Interest income from back deposits is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Commission income is recognised when services are rendered.
- Other income is recognised on a receipt basis.

p. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Company in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the statement of profit or loss and comprehensive income.

No provision on employee entitlements to annual leave is provided in the financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. Borrowing Cost

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

r. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Group's policy for borrowing cost as stated in the preceding note.

s. Related Parties

A related party is a person or entity that is related to the Company.

(A) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Company or a parent of the Company.

(B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

t. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

(i) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Company's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Company comprise trade and other receivables, amount due from a shareholder, amounts due from related companies and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statements of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise trade and other payables, amounts due to related companies, and secured bank borrowings which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

### (ii) Financial risk management

The Company's financial risks are limited by the financial management policies and practices described below.

#### (a) Credit risk

The Company has no significant concentrations of credit risk because the creditworthiness of each of the Company's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Company is adequately protected from the credit risk.

#### (b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. As the related companies have confirmed the willingness to provide continuous financial support to the Company, the directors are of the opinion that the Company is adequately protected from the liquidity risk.

#### (c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

As the immediate holding company has confirmed the willingness to provide continuous financial support, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

6. REVENUE, OTHER INCOME AND GAINS

| Revenue, other income and gains recognised during the year are as follows: | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Turnover: | | |
| Sale of goods | 47,981,592 | 9,675,074 |
| Other income and gains: | | |
| Bank interest income | 3 | 1 |
| Commission income | 4,112,316 | 2,227,482 |
| Exchange gain | 1,129,393 | - |
| | 5,241,712 | 2,227,483 |
| Total revenue recognised | 51,595,074 | 11,902,557 |

7. FINANCE COSTS

| | | |
|---|---|---|
| Bank overdraft interest | 33,566 | 326 |

8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting):

| | | |
|---|---|---|
| Auditor's remuneration | 20,475 | 19,500 |
| Staff costs (including directors' remuneration) | 318,591 | - |
| Exchange (gain)/loss, net | ( 1,129,393) | 45,030 |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Emoluments: | | |
| Acting as directors | 318,591 | - |
| Provision for management services | - | - |
| Retirement benefits | - | - |
| | 318,591 | - |

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

| Name of borrower | Outstanding principal: At beginning of year | At end of year | Maximum outstanding |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| Sourcing Solutions Pakistan (PVT) Ltd [1] | 1,279,413 | - | 1,279,413 |
| Sourcing Solutions Europe [1] | 888,608 | 852,306 | 888,608 |
| Poeticgem Limited [2] | - | 111,835 | 111,835 |
| Spring Near East Manufacturing Co. Ltd. [2] | - | 1,638,001 | 1,638,001 |
| Design Arc Eurpoc Ltd. [2] | - | 165,026 | 165,026 |
| Poeticgem Australia Ltd. [2] | - | 427,900 | 427,900 |
| Techno Design HK Ltd. [2] | - | 253,375 | 253,375 |
| | 2,168,021 | 3,448,443 | |

[1] Connected person: Imran Peter RATH
[2] Common shareholder

Principal terms:The loans, quasi-loans and credit transactions are interest free, unsecured and have no fixed repayment terms.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director.

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(iii) Material interests of directors (including shadow directors) of the Company disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, except for the related party transactions as disclosed in Note (18) to the financial statements, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

10. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the Company made no estimated assessable profits for the year.

The tax charge for the year can be reconciled to the loss per statement of profit or loss and comprehensive income as follows:

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Loss before taxation | (2,840,776) | (4,183,935) |
| Tax at the domestic income tax rate | ( 468,728) | ( 690,349) |
| Tax effect of expenses that are not deductible in determining taxable profit | - | - |
| Tax loss not yet recognised | 468,728 | 690,349 |
| Taxation expense for the year | - | - |

At the end of reporting period, the Company has unused tax losses of HK$14,342,023 (2017: HK$11,501,244) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses maybe carried forward indefinitely.

No deferred tax has been recognised in the financial statements on the grounds that the Company has no taxable/deductible temporary differences during the current year.

11. AMOUNT DUE FROM A SHAREHOLDER

The amount due from a shareholder is unsecured, interest free and has no fixed repayment terms. No provisions for bad and doubtful debts have been recognised on the amounts due. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 12. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade receivables (Note (i)) | 16,847,061 | 3,141,982 |
| Other receivables | 211 | 509,996 |
| | 16,847,272 | 3,651,978 |

(i) Aging analysis of trade receivables is as follows:

| | | |
|---|---|---|
| Neither past due nor impaired | 16,847,272 | 3,141,982 |

Trade receivables are due within 90 days from date of billings.

## 13. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies is unsecured, interest-free and has no fixed terms of repayment. The related companies agreed not to demand repayment of the amount due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 14. TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| Trade payables (Note (i)) | 2,519,874 | 3,229,596 |
| Other payables | 108,796 | - |
| | 2,628,670 | 3,229,596 |

(i) Maturity of trade payables is as follows:

| | | |
|---|---|---|
| Due for payment: | | |
| Not later than one year | 2,519,874 | 3,229,596 |

## 15. SECURED BANK BORROWINGS

| | | |
|---|---|---|
| Discounted bills loans | 3,118,262 | - |

The discounted bills loans are secured by shareholders' corporate guarantee and directors' personal guarantee as disclosed in note (19).

16. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | HK$ | | HK$ |
| Ordinary shares, issued and fully paid: | | | | |
| At March 31 | 10,000 | 77,800 | 10,000 | 77,800 |

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

17. CURRENCY RISK

(i) Exposure to currency risk

The following table details the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Company to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of reporting period.

| | (Expressed in HK$) 2018 | | | |
|---|---|---|---|---|
| | USD | EUR | GBP | Total |
| Trade and other receivables | 10,858,062 | 5,102,604 | - | 15,960,666 |
| Bank and cash balances | 85,490 | 379,317 | 11,571 | 476,378 |
| Trade and other payables | 1,396,201 | 957,364 | - | 2,353,565 |
| Net exposure arising from recognised assets and liabilities | 12,339,753 | 6,439,285 | 11,571 | 18,790,609 |

| | (Expressed in HK$) 2017 | | | |
|---|---|---|---|---|
| | USD | EUR | GBP | Total |
| Trade and other receivables | 4,931,392 | 888,607 | - | 5,819,999 |
| Bank and cash balances | 1,269,875 | 13,009 | 22,276 | 1,305,160 |
| Trade and other payables | (3,229,596) | - | - | (3,229,596) |
| Net exposure arising from recognised assets and liabilities | 2,971,671 | 901,616 | 22,276 | 3,895,563 |

17. CURRENCY RISK

(ii) Sensitivity analysis

The following table indicates the approximate change in the Company's profit/loss after tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| | HK$ | HK$ | HK$ | HK$ |
| Euro Dollars (EUR) | 537,680 | (537,680) | 75,285 | (75,285) |
| British Pound (GBP) | 966 | ( 966) | 1,860 | ( 1,860) |
| | 538,646 | (538,646) | 77,145 | (77,145) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Company's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

18. INTEREST RATE RISK

| | 2018 | 2017 |
|---|---|---|
| Financial liabilities bearing variable interests: | HK$ | HK$ |
| Discounted bills loans | 3,118,262 | - |

Should market interest rate on March 31 increase by 100 basic point, the profit or loss for the year would be reduced by a net amount of HK$31,183 (2017: HK$Nil). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

## 19. BANKING FACILITIES

General banking facilities granted by a bank were secured by shareholders' guarantee and directors' personal guarantee.

## 20. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

| Name | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | HK$ | HK$ |
| PDS Asia Star Corporation Ltd., Hong Kong | Related company | - Recharge expenses | 210,060 | 140,040 |
| Poeticgem Ltd., UK | Related company | - Recharge expenses | - | 15,534 |
| Norwest Industries Ltd., Hong Kong | Related company | - Commission income | 1,935,882 | 2,227,488 |
| | | - Recharge expenses | - | 44,913 |
| | | - Compliance expenses | 32,720 | - |
| Multinational Texile Group Limited | Related company | - Management fee | 478,470 | 238,068 |
| | | - SAP expenses | 31,120 | - |
| | | - Compliance expenses | 45,819 | - |
| | | - Recharge expenses | 70,020 | - |
| Sourcing Solutions Europe | Related company | - Recharge expenses | 2,913,428 | 2,965,557 |
| | | - Commission income | 72,408 | - |
| Sourcing Solution Pakistan (PVT) Ltd. | Related company | - Recharge expenses | 5,257,008 | 1,917,544 |
| | | - Commission income | 1,555,821 | - |
| Design Arc. Eurpoe Ltd. | Related company | - Commission income | 13,262 | - |
| Techno Design HK Ltd. | Related company | - Commission income | 57,503 | - |
| Techno Design GMBH | Related company | - Commission income | 70,914 | - |

## 21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 23, 2018.

# SOURCING SOLUTIONS LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

**SCH I**

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| SALES | 47,981,592 | 9,675,074 |
| COST OF SALES | | |
| Purchases | 44,655,899 | 8,784,890 |
| Extra processing charges | - | 10,104 |
| | 44,655,899 | 8,794,994 |
| GROSS PROFIT | 3,325,693 | 880,080 |
| OTHER INCOME | | |
| Bank interest income | 3 | 1 |
| Commission income | 4,112,316 | 2,227,482 |
| Exchange gain, net | 1,129,393 | - |
| | 8,567,405 | 3,107,563 |
| OPERATING EXPENSES (SCH II) | (11,408,181) | (7,291,498) |
| LOSS BEFORE TAXATION | ( 2,840,776) | (4,183,935) |

# SOURCING SOLUTIONS LIMITED
## DETAILED INCOME STATEMENT (CONT'D)
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

SCH II

| | 2018 | 2017 |
|---|---|---|
| | HK$ | HK$ |
| OPERATING EXPENSES | | |
| Finance Costs | | |
| Bank overdraft interest | 33,566 | 326 |
| Staff Costs | | |
| Immigration expenses | 190 | - |
| Director's remuneration | 318,591 | - |
| | 318,781 | - |
| Other Operating Expenses | | |
| Auditors' remuneration | 20,475 | 19,500 |
| Bank charges | 437,380 | 88,076 |
| Business registration fee | 2,250 | 250 |
| Claims and recovery | 173,290 | - |
| Compliance expenses | 78,539 | - |
| Computer expenses | 31,120 | - |
| Consultancy fees | 483,819 | 1,605,522 |
| Courier expenses | 16,149 | 12,765 |
| Designing expenses | 9,725 | 10,419 |
| Entertainment expenses | - | 556 |
| Exchange loss, net | - | 45,030 |
| Inspection fees | 3,346 | 5,018 |
| Insurance | 31,338 | - |
| Internal audit fees | 2,906 | - |
| Legal and professional fee | 3,995 | 3,800 |
| Management fee | 478,470 | 238,068 |
| Miscellaneous expenses | - | 250 |
| Printing, stationery and postage | 2,536 | 3,629 |
| Recharged expenses | 8,567,405 | 5,083,588 |
| Recruitment expenses | 433,689 | 17,598 |
| Sample charges | 70,276 | 43,998 |
| Staff welfare expenses | - | 2,293 |
| Travelling expenses | 155,103 | 110,812 |
| | 11,055,834 | 7,291,172 |
| | 11,408,181 | 7,291,498 |

File No. 22/64487438

# SOURCING SOLUTIONS LIMITED


| | SCH |
|---|---|
| PROFITS TAX COMPUTATION | 1 |
| LEGAL AND PROFESSIONAL FEE | 2 |
| MANAGEMENT FEE | 3 |
| CONSULTANCY FEE | 4 |

File No. 22/64487438

# SOURCING SOLUTIONS LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

**SCH 1**

| | | HK$ |
|---|---|---|
| Basis period: 12/3/2017 - 31/3/2018 | | |
| Loss per audited financial statements | | 2,840,776 |
| Add: Bank interest income exempted from payment of profits tax | (ACCOUNT) | 3 |
| Adjusted loss | | 2,840,779 |

## STATEMENT OF LOSS

| | |
|---|---|
| Loss brought forward | 11,501,244 |
| Add: Loss for the year | 2,840,779 |
| Loss carried forward | 14,342,023 |

## LEGAL AND PROFESSIONAL FEE

**SCH 2**

| | HK$ |
|---|---|
| Louis Lai & Luk Corporate Services Limited | |
| - Secretarial service fee | 3,995 |
| | (ACCOUNT) |

File No. 22/64487438

# SOURCING SOLUTIONS LIMITED

## MANAGEMENT FEE

**SCH 3**

| | | HK$ |
|---|---|---|
| Payee: | Multinational Textile Group Limited | |
| Address: | St Louis Business Centre, Cur Desroches & St Louis Streets, Port Louis, Mauritius | 478,470 |
| | | ====== |
| | | (ACCOUNT) |

## CONSULTANCY FEE

**SCH 4**

| | | HK$ |
|---|---|---|
| Payee: | Wren Associates (UK) Limited | |
| Address: | Linden, Woodgates Road, Blackburn Lancs, BB2 6QE | 48,625 |
| Payee: | Caroline Burke | |
| Address: | 6 Hall Farm Barns, Knutsford Road, Cranage, Cheshire CW4 8EA. | 435,194 |
| | | 483,819 |
| | | ======= |
| | | (ACCOUNT) |

Report of the Directors and Audited Financial Statements

KLEIDER SOURCING HONG KONG LIMITED

31 March 2018

CERTIFIED TRUE COPY

ERNST & YOUNG

Building a better working world

KLEIDER SOURCING HONG KONG LIMITED

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KLEIDER SOURCING HONG KONG LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activity
The principal activity of the Company during the year was the trading of garments. The principal activity of the Company's subsidiary is set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends
The Group's profit for the year ended 31 March 2018 and its financial position at that date are set out in the financial statements on pages 6 to 35.

A final 2017 dividend of 90.8245 United State dollars ("US$") per ordinary share, the first interim 2018 dividend of US$72.7620 per ordinary share, the second interim 2018 dividend of US$67.8569 per ordinary share and the third interim 2018 dividend of US$71.4521 per ordinary share were paid on 10 May 2017, 25 July 2017, 18 October 2017 and 24 January 2018, respectively.

The directors recommended the payment of a final 2018 dividend of US$98.5143 per ordinary share of US$985,143 for the year ended 31 March 2018.

Directors
The directors of the Company during the year were:

Pallak Seth
Deepak Kumar Seth
Iftekhar Ullah Khan

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests
At no time during the year was the Company, its subsidiary or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its subsidiary or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Pallak Seth
Chairman

Hong Kong
29 May 2018

EY安永

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**Independent auditor's report**
**To the members of Kleider Sourcing Hong Kong Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the consolidated financial statements of Kleider Sourcing Hong Kong Limited (the "Company") and its subsidiary (the "Group") set out on pages 6 to 35, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the consolidated financial statements**
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group'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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.



A member firm of Ernst & Young Global Limited

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**Auditor's responsibilities for the audit of the consolidated financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 May 2018

KLEIDER SOURCING HONG KONG LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| REVENUE | 4 | 440,956,661 | 364,454,509 |
| Cost of sales | 5 | (403,462,661) | (328,191,919) |
| Gross profit | | 37,494,000 | 36,262,590 |
| Other income and gain | 4 | 5,647,771 | 6,396,744 |
| Selling and distribution costs | | ( 79,798) | ( 63,555) |
| Administrative expenses | | ( 18,626,740) | ( 15,167,710) |
| Other operating expenses | | ( 73,299) | ( 67,568) |
| PROFIT BEFORE TAX | 5 | 24,361,934 | 27,360,501 |
| Income tax expense | 7 | ( 293,794) | ( 480,859) |
| PROFIT FOR THE YEAR | | 24,068,140 | 26,879,642 |
| Attributable to: | | | |
| Owners of the parent | | 24,068,496 | 26,879,182 |
| Non-controlling interest | | ( 356) | 460 |
| | | 24,068,140 | 26,879,642 |

KLEIDER SOURCING HONG KONG LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| PROFIT FOR THE YEAR | 24,068,140 | 26,879,642 |
| OTHER COMPREHENSIVE INCOME/LOSS | | |
| Other comprehensive income/(loss) to be reclassified to profit of loss in subsequent periods: | | |
| Exchange difference on translation of a foreign operation | 107,063 | ( 23,321) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 24,175,203 | 26,856,321 |
| Attributable to: | | |
| Owners of the parent | 24,175,527 | 26,855,868 |
| Non-controlling interests | ( 324) | 453 |
| | 24,175,203 | 26,856,321 |

KLEIDER SOURCING HONG KONG LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 107,038 | 150,111 |
| CURRENT ASSETS | | | |
| Trade and bills receivables | 10 | 51,513,219 | 36,577,267 |
| Prepayments, deposits and other receivables | 11 | 8,341,847 | 1,132,886 |
| Due from the immediate holding company | 16(b) | - | 539,863 |
| Due from a fellow subsidiary | 16(b) | - | 3,843,320 |
| Due from non-controlling shareholders | 16(b) | 35,010 | 35,010 |
| Cash and cash equivalents | | 496,134 | 8,586,388 |
| Total current assets | | 60,386,210 | 50,714,734 |
| CURRENT LIABILITIES | | | |
| Trade payables | | 32,434,662 | 34,975,982 |
| Other payables and accruals | 12 | 829,306 | 1,161,672 |
| Due to the immediate holding company | 16(b) | 1,706,263 | - |
| Due to an intermediate holding company | 16(b) | 1,516,898 | - |
| Due to fellow subsidiaries | 16(b) | 9,043,083 | 334,540 |
| Tax payable | | 1,055,273 | 1,094,821 |
| Total current liabilities | | 46,585,485 | 37,567,015 |
| NET CURRENT ASSETS | | 13,800,725 | 13,147,719 |
| Net assets | | 13,907,763 | 13,297,830 |

continued/...

KLEIDER SOURCING HONG KONG LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 13 | 77,800 | 77,800 |
| Reserves | 14 | 13,829,787 | 13,219,530 |
| | | 13,907,587 | 13,297,330 |
| **Non-controlling interests** | | 176 | 500 |
| Total equity | | 13,907,763 | 13,297,830 |

Pallak Seth
Director

Deepak Kumar Seth
Director

KLEIDER SOURCING HONG KONG LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Share capital HK$ | Exchange reserve HK$ | Retained profits HK$ | Total equity attributable to owners of the parent HK$ | Non-controlling interests HK$ | Total equity HK$ |
|---|---|---|---|---|---|---|
| At 1 April 2016 | 77,800 | ( 10,524) | 6,040,945 | 6,108,221 | 47 | 6,108,268 |
| Profit for the year | - | - | 26,879,182 | 26,879,182 | 460 | 26,879,642 |
| Exchange difference on translation of a foreign operation | - | ( 23,314) | - | ( 23,314) | ( 7) | ( 23,321) |
| Total comprehensive income/(loss) for the year | - | ( 23,314) | 26,879,182 | 26,855,868 | 453 | 26,856,321 |
| Final 2016 dividend | - | - | ( 5,191,166) | ( 5,191,166) | - | ( 5,191,166) |
| First interim 2017 dividend | - | - | ( 3,545,486) | ( 3,545,486) | - | ( 3,545,486) |
| Second interim 2017 dividend | - | - | ( 4,676,737) | ( 4,676,737) | - | ( 4,676,737) |
| Third interim 2017 dividend | - | - | ( 6,253,370) | ( 6,253,370) | - | ( 6,253,370) |
| At 31 March 2017 and at 1 April 2017 | 77,800 | ( 33,838)* | 13,253,368* | 13,297,330 | 500 | 13,297,830 |
| Profit for the year | - | - | 24,068,496 | 24,068,496 | ( 356) | 24,068,140 |
| Exchange difference on translation of a foreign operation | - | 107,031 | - | 107,031 | 32 | 107,063 |
| Total comprehensive income/(loss) for the year | - | 107,031 | 24,068,496 | 24,175,527 | ( 324) | 24,175,203 |
| Final 2017 dividend | - | - | ( 7,066,146) | ( 7,066,146) | - | ( 7,066,146) |
| First interim 2018 dividend | - | - | ( 5,660,884) | ( 5,660,884) | - | ( 5,660,884) |
| Second interim 2018 dividend | - | - | ( 5,279,267) | ( 5,279,267) | - | ( 5,279,267) |
| Third interim 2018 dividend | - | - | ( 5,558,973) | ( 5,558,973) | - | ( 5,558,973) |
| At 31 March 2018 | 77,800 | 73,193* | 13,756,594* | 13,907,587 | 176 | 13,907,763 |

* These reserve accounts comprise the consolidated reserves of HK$13,829,787 (2017: HK$13,219,530) in the consolidated statement of financial position.

KLEIDER SOURCING HONG KONG LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 24,361,934 | 27,360,501 |
| Adjustment for depreciation | 9 | 40,423 | 38,924 |
| | | 24,402,357 | 27,399,425 |
| Increase in trade and bills receivables | | (14,987,950) | ( 4,927,761) |
| Increase in prepayments, deposits and other receivables | | ( 7,555,166) | ( 509,247) |
| Change in a balance with the immediate holding company | | 2,246,126 | ( 615,617) |
| Decrease/(increase) in an amount due from a fellow subsidiary | | 3,843,320 | ( 1,120,320) |
| (Decrease)/increase in trade payables | | ( 2,535,179) | 6,704,689 |
| (Decrease)/increase in other payables and accruals | | ( 297,156) | 309,968 |
| Increase/(decrease) in an amount due to an intermediate holding company | | 1,516,898 | ( 11,670) |
| Increase in an amount due to fellow subsidiaries | | 8,708,543 | 334,540 |
| Cash generated from operations | | 15,341,793 | 27,564,007 |
| Income tax paid | | - | ( 440,991) |
| Net cash flows from operating activities | | 15,341,793 | 27,123,016 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | 9 | ( 50,706) | ( 3,332) |
| Proceeds from disposal of items of property, plant and equipment | 9 | 48,170 | - |
| Net cash flows used in investing activities | | ( 2,536) | ( 3,332) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | 8 | (23,565,270) | (19,666,759) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | ( 8,226,013) | 7,452,925 |
| Cash and cash equivalents at beginning of year | | 8,586,388 | 1,167,751 |
| Effect of foreign exchange rate changes, net | | 135,759 | ( 34,288) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 496,134 | 8,586,388 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 496,134 | 8,586,388 |

## 1. CORPORATE INFORMATION

Kleider Sourcing Hong Kong Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 9/F, Surson Commercial Building 140-142, Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the year, the Company was primarily engaged in the trading of garment products and investment holding.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Information about a subsidiary

Particulars of the Company's subsidiary as at the end of the reporting period are as follows:

| Name | Place of incorporation/ registration and operations | Nominal value of issued ordinary share capital | Percentage of equity directly attributable to the Company | | Principal activity |
|---|---|---|---|---|---|
| | | | 2018 | 2017 | |
| Kleider Sourcing Limited* | Bangladesh | Bangladeshi Taka ("BDT") 1,000,000 | 99.97 | 99.97 | Provision of sourcing services |

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$").

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of its subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. The results of its subsidiary are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[2] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS[2] |

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has performed high-level assessment of the impact of the new and revised HKFRSs upon initial application and does not expect these new and revised HKFRSs would have significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March 2018. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Group;
  (ii) has significant influence over the Group; or
  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Group are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Group are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Furniture and fixtures | 10% - 33⅓% |
| Office equipment | 10% - 33⅓% |
| Computer equipment | 10% - 33⅓% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

*Initial recognition and measurement*

Financial assets of the Group are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*
For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) commission income, when the services are rendered.

Foreign currencies

These financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of an overseas subsidiary is a currency other than HK$. As at the end of the reporting period, the assets and liabilities of that subsidiary are translated into HK$ at the exchange rate prevailing at the end of the reporting period and its statement of profit or loss is translated into HK$ at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and are accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of an overseas subsidiary are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the period are translated into HK$ at the weighted average exchange rate for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends
Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Income tax and deferred tax*
Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

## 4. REVENUE, OTHER INCOME AND GAIN

Revenue represents the net invoiced value of goods sold.

An analysis of other income and gain is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Commission income | 5,432,332 | 6,323,786 |
| Foreign exchange differences, net | 141,182 | 9,405 |
| Others | 74,257 | 63,553 |
| | 5,647,771 | 6,396,744 |

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Cost of inventories sold | 403,462,661 | 328,191,919 |
| Depreciation | 40,423 | 38,924 |
| Minimum lease payments under an operating lease | 22,884 | 105,125 |
| Auditor's remuneration | 67,951 | 44,345 |
| Employee benefit expense (excluding directors' remuneration (note 6)): | | |
| Salaries and allowances | 2,985,365 | 2,495,471 |
| Foreign exchange differences, net | ( 141,182) | ( 9,405) |

## 6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Fees | - | - |
| Other emoluments: | | |
| Consultancy fees | 1,414,000 | 1,180,000 |

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2017: Nil). Tax on profits assessable elsewhere have been calculated at the rates of tax providing in the jurisdiction in which the Group operates.

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Current - Bangladesh | | |
| Charge for the year | 293,794 | 480,859 |

A reconciliation of the tax amount applicable to profit before tax using the Hong Kong statutory rate of 16.5% to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

| | 2018<br>HK$ | % | 2017<br>HK$ | % |
|---|---|---|---|---|
| Profit before tax | 24,361,934 | | 27,360,501 | |
| Tax at the statutory tax rate | 4,019,719 | 16.5 | 4,514,483 | 16.5 |
| Difference in tax rate for specific provinces or enacted by local authority | ( 150,008) | ( 0.6) | 338,840 | 1.2 |
| Income not subject to tax | ( 3,575,917) | ( 14.7) | ( 4,372,464) | ( 16.0) |
| Tax at the effective tax rate | 293,794 | 1.2 | 480,859 | 1.7 |

There was no unprovided deferred tax in respect of the period and as at the end of the reporting period (2017: Nil).

## 8. DIVIDENDS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Final 2017 – 90.8245 United State dollars ("US$") per ordinary share | 7,066,146 | 5,191,166 |
| First interim 2018 - US$72.7620 per ordinary share | 5,660,884 | 3,545,486 |
| Second interim 2018 - US$67.8569 per ordinary share | 5,279,267 | 4,676,737 |
| Third interim 2018 - US$71.4521 per ordinary share | 5,558,973 | 6,253,370 |
| | 23,565,270 | 19,666,759 |

The final 2018 dividend of US$98.5143 per ordinary share of US$985,143 proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures HK$ | Office equipment HK$ | Computer equipment HK$ | Total HK$ |
|---|---|---|---|---|
| **31 March 2018** | | | | |
| At 31 March 2017 and 1 April 2017: | | | | |
| Cost | 97,116 | 47,289 | 69,876 | 214,281 |
| Accumulated depreciation | (19,894) | (18,188) | (26,088) | ( 64,170) |
| Net carrying amount | 77,222 | 29,101 | 43,788 | 150,111 |
| At 1 April 2017, net of accumulated depreciation | 77,222 | 29,101 | 43,788 | 150,111 |
| Additions | - | 34,633 | 16,073 | 50,706 |
| Disposals | - | (32,901) | (15,269) | ( 48,170) |
| Depreciation provided during the year | (11,858) | (12,424) | (16,141) | ( 40,423) |
| Exchange realignment | ( 2,818) | ( 940) | ( 1,428) | ( 5,186) |
| At 31 March 2018, net of accumulated depreciation | 62,546 | 17,469 | 27,023 | 107,038 |
| At 31 March 2018: | | | | |
| Cost | 93,277 | 45,419 | 67,113 | 205,809 |
| Accumulated depreciation | (30,731) | (27,950) | (40,090) | ( 98,771) |
| Net carrying amount | 62,546 | 17,469 | 27,023 | 107,038 |
| **31 March 2017** | | | | |
| At 1 April 2016, net of accumulated depreciation | 87,395 | 40,680 | 60,430 | 188,505 |
| Additions | 3,332 | - | - | 3,332 |
| Depreciation provided during the year | (12,144) | (11,001) | (15,779) | ( 38,924) |
| Exchange realignment | ( 1,361) | ( 578) | ( 863) | ( 2,802) |
| At 31 March 2017, net of accumulated depreciation | 77,222 | 29,101 | 43,788 | 150,111 |
| At 31 March 2017: | | | | |
| Cost | 97,116 | 47,289 | 69,876 | 214,281 |
| Accumulated depreciation | (19,894) | (18,188) | (26,088) | ( 64,170) |
| Net carrying amount | 77,222 | 29,101 | 43,788 | 150,111 |

## 10. TRADE AND BILLS RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Trade receivables | 37,339,133 | 19,399,616 |
| Bills receivables | 14,174,086 | 17,177,651 |
| | 51,513,219 | 36,577,267 |

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

The ageing analysis of trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Neither past due nor impaired | 38,493,388 | 35,324,715 |
| Past due but not impaired: | | |
| Less than one month | 11,938,146 | 715,424 |
| One to three months | 1,081,685 | 537,128 |
| | 51,513,219 | 36,577,267 |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Prepayments | 537,501 | 471,463 |
| Deposits | 42,201 | 43,938 |
| Other receivables | 7,762,145 | 617,485 |
| | 8,341,847 | 1,132,886 |

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no history of default.

## 12. OTHER PAYABLES AND ACCRUALS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Other payables | 574,277 | 1,102,721 |
| Operating tax payable | - | 14,769 |
| Accruals | 255,029 | 44,182 |
| | 829,306 | 1,161,672 |

Other payables are non-interest-bearing and have an average term of three months.

## 13. SHARE CAPITAL

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Issued and fully paid: | | |
| 10,000 (2017: 10,000) ordinary shares | 77,800 | 77,800 |

## 14. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 10 of the financial statements.

## 15. OPERATING LEASE ARRANGEMENT

The Group leases its office premise under an operating lease arrangement. The lease for the premise is negotiated for a term of two years and expired during the year.

At 31 March 2017, the Group had future minimum lease payments under a non-cancellable operating lease falling due within one year of HK$17,985.

## 16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Intermediate holding company: | | | |
| Management fees paid | (i) | 367,605 | 2,486,807 |
| Marketing fee paid | (iv) | 897,944 | - |
| Immediate holding company: | | | |
| Marketing fee paid | (iv) | 1,660,415 | - |
| Rental paid | (v) | 22,884 | - |
| Service support fees paid | (iii) | - | 1,072,626 |
| Fellow subsidiary: | | | |
| Sales of goods | (ii) | - | 271,813 |
| Support services fee paid | (vi) | 70,144 | - |

Notes:

(i) The management fees paid were determined based on terms mutually agreed between the Group and an intermediate holding company.

(ii) The sales of goods were made according to the prices and conditions mutually agreed between the Group and the respective fellow subsidiaries.

(iii) The service support fees were charged based on terms mutually agreed between the Group and the immediate holding company.

(iv) The marketing fees paid were related to the provision of marketing services provided by an intermediate holding company and the immediate holding company and were based on terms mutually agreed between the Group and an intermediate holding company and the immediate holding company.

(v) The rentals paid were based on the area of the office space occupied and on terms mutually agreed between the Group and immediate holding company.

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(vi) The support services fees paid were charged based on terms mutually agreed between the Group and the respective fellow subsidiaries.

(b) The balances with the immediate holding company, an intermediate holding company, non-controlling shareholders and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group represented directors' remuneration as disclosed in note 6 to the financial statements

17. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Group comprise trade receivables, deposits and other receivables, amounts due from a fellow subsidiary, the immediate holding company and non-controlling shareholders and cash and cash equivalents, which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Group comprise trade payables, financial liabilities included in other payables and accruals and an amount due to fellow subsidiaries, the immediate holding company and an intermediate holding company, which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

18. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values largely due to the short term maturities of these instruments.

The Group did not have any financial assets and liabilities measured at fair value as at the end of the reporting period.

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

*Credit risk*

The aggregate carrying amount of cash and cash equivalents, trade receivables, amounts due from a fellow subsidiary, non-controlling shareholders and the immediate holding company, deposits and other receivables represents the Group's maximum exposure to credit risk in relation to financial assets. The Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. At the end of the reporting period, the Group had certain level of concentrations of credit risk as 86% (2017: 85%) of the Group's trade receivables were due from the Group's largest customer.

*Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

*Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to its shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2018 and 2017.

## 20. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Investment in a subsidiary | 517,716 | 517,716 |
| CURRENT ASSETS | | |
| Trade and bills receivables | 50,397,537 | 36,349,318 |
| Other receivables | 437,734 | 617,485 |
| Due from the immediate holding company | - | 539,863 |
| Due from a subsidiary | 7,441,348 | 2,309,724 |
| Due from a fellow subsidiary | - | 3,843,320 |
| Due from non-controlling shareholders | 35,010 | 35,010 |
| Cash and cash equivalents | 381,647 | 4,366,465 |
| Total current assets | 58,693,276 | 48,061,185 |
| CURRENT LIABILITIES | | |
| Trade payables | 32,295,847 | 34,963,899 |
| Other payables and accruals | 271,440 | 590,979 |
| Due to the immediate holding company | 1,706,263 | - |
| Due to an intermediate holding company | 1,516,898 | - |
| Due to a subsidiary | - | - |
| Due to fellow subsidiaries | 9,043,083 | 334,540 |
| Tax payable | 1,055,273 | 1,055,273 |
| Total current liabilities | 45,888,804 | 36,944,691 |
| NET CURRENT ASSETS | 12,804,472 | 11,116,494 |
| Net assets | 13,322,188 | 11,634,210 |
| EQUITY | | |
| Share capital | 77,800 | 77,800 |
| Retained profits (note) | 13,244,388 | 11,556,410 |
| Total equity | 13,322,188 | 11,634,210 |

Pallak Seth
Director

Deepak Kumar Seth
Director

## 20. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's retained profits is as follows:

| | HK$ |
|---|---|
| At 1 April 2016 | 5,875,975 |
| Profit and total comprehensive income for the year | 25,347,194 |
| Final 2016 dividend | ( 5,191,166) |
| First interim 2017 dividend | ( 3,545,486) |
| Second interim 2017 dividend | ( 4,676,737) |
| Third interim 2017 dividend | ( 6,253,370) |
| At 31 March 2017 and at 1 April 2017 | 11,556,410 |
| Profit and total comprehensive income for the year | 25,253,248 |
| Final 2017 dividend | ( 7,066,146) |
| First interim 2018 dividend | ( 5,660,884) |
| Second interim 2018 dividend | ( 5,279,267) |
| Third interim 2018 dividend | ( 5,558,973) |
| At 31 March 2018 | 13,244,388 |

## 21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2018.

**Pérez & Navarro**
**Auditores, Consultores Ltda.**

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# PG HOME GROUP S.P.A.
# FINANCIAL STATEMENTS
# MARCH 31st, 2018 AND 2017

**Pérez & Navarro**
**Auditores, Consultores Ltda.**

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**PG HOME GROUP S.P.A.**
**FINANCIAL STATEMENTS**
**March 31st, 2018 AND 2017**

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**Pérez & Navarro**
**Auditores, Consultores Ltda.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors
P. G. HOME GROUP S.P.A.

We have audited the accompanying balance sheets of P.G. HOME GROUP S.P.A. as of March 31st, 2018 and 2017, and the related statements of income, changes in equity and cash flow for the periods between April 1st 2017 to March 31st 2018 and April 1st 2016 to March 31st 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International auditing standards generally accepted. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of P.G. HOME GROUP S.P.A. as of March 31st, 2018 and 2017 and income of its operations, the changes in Equity and its cash flows for the periods between April 1st 2017 to March 31st 2018 and April 1st 2016 to March 31st 2017 in conformity with and International Financial Reporting Standards.



**Claudio Navarro Caviedes**
**Pérez & Navarro**
**Auditores, Consultores Ltda.**

Chile, Santiago, April 20, 2018

**PG HOME GROUP S.P.A.**
**BALANCE SHEETS**
**AS OF MARCH 31st, 2018 AND 2017**

**Assets**

| **Non-current** | **March 31st, 2018** | **March 31st, 2017** |
|---|---|---|
| **Fixed assets** | **Ch.$** | **Ch.$** |
| Equipment and Computers | 14.123.777 | 12.983.575 |
| Office furniture | 2.086.216 | 1.824.199 |
| Accumulated depreciation | (13.458.326) | (12.377.654) |
| **Total fixed assets** | **2.751.667** | **2.430.120** |
| | | |
| **Other non-current assets** | | |
| Deferred taxes | 164.360.552 | 167.639.145 |
| Intangible | - | 2.662.835 |
| Other non-current assets | 3.582.751 | 3.534.595 |
| **Total other non-current assets** | **167.943.303** | **173.836.575** |
| | | |
| **Current** | | |
| Cash and equivalents | 17.806.964 | 10.110.192 |
| Clients receivable | - | 7.989.062 |
| Sundry debtors | - | 5.325.568 |
| Inventories | 247.407 | 2.824.860 |
| Taxes recoverable | 602.518 | 4.511.705 |
| Other current assets | 1.483.179 | 1.455.863 |
| **Total current assets** | **20.140.068** | **32.217.250** |
| **Total Assets** | **190.835.038** | **208.483.945** |

See accompanying notes to financial statements

**PG HOME GROUP S.P.A.**
**BALANCE SHEETS**
**AS OF MARCH 31st, 2018 AND 2017**

| | March 31st, 2018 | March 31st, 2017 |
|---|---|---|
| **Liabilities and equity** | **Ch.$** | **Ch.$** |
| **Equity** | | |
| Capital | 3.000.000 | 3.000.000 |
| Accumulated results: | | |
| Previous periods | (518.566.790) | (474.917.573) |
| Profit (Loss) for the period | 757.257 | (43.649.217) |
| **Total Equity** | **(514.809.533)** | **(515.566.790)** |
| | | |
| **Non-Current Liabilities** | | |
| Accounts payable to related parties | 689.429.454 | 694.976.730 |
| **Total Non-Current Liabilities** | **689.429.454** | **694.976.730** |
| | | |
| **Current Liabilities** | | |
| Suppliers | 3.300.849 | 2.674.826 |
| Sundry credits | 9.051.856 | 21.918.298 |
| Withholdings | 3.862.412 | 4.480.881 |
| **Total Current Liabilities** | **16.215.117** | **29.074.005** |
| **Total Liabilities and Equity** | **190.835.038** | **208.483.945** |

See accompanying notes to financial statements

**PG HOME GROUP S.P.A.**
**STATEMENTS OF INCOME**
**FOR THE PERIODS BETWEEN APRIL 1st 2017 TO MARCH 31st 2018, AND APRIL 1st 2016 TO MARCH 31st 2017**

| | April 1st 2017 to March 31st, 2018 | January 1st to March 31st, 2018 | April 1st 2016 to March 31st, 2017 | January 1st to March 31st, 2017 |
|---|---|---|---|---|
| | Ch.$ | Ch.$ | Ch.$ | Ch.$ |
| **Income** | | | | |
| **Operational income** | | | | |
| Sale of goods | 11.684.217 | 781.373 | 26.096.301 | 4.705.398 |
| Advisories | 64.738.236 | 12.921.928 | 52.792.404 | 13.528.967 |
| Other income | 1.396.340 | - | 76.207 | - |
| **Non-operational income (expenses)** | | | | |
| Financial income | - | - | 1.492.989 | - |
| Exchange rate difference and others | 201.385 | (260.482) | (4.136.587) | (555.915) |
| **Total income** | **78.020.178** | **13.442.819** | **76.321.314** | **17.678.450** |
| **Expenses** | | | | |
| Cost of goods sold | (19.182.777) | (1.782.014) | (26.240.045) | (5.430.632) |
| Provision for stocks valuation | - | - | (2.824.859) | (2.824.859) |
| Royalties | 10.852.604 | - | (18.335.476) | - |
| Logistic costs | (100.000) | - | (1.421.500) | - |
| Financial expenses | - | - | (547.152) | - |
| Administrative expenses | (65.554.155) | (18.753.451) | (84.367.253) | (23.197.406) |
| **Total expenses** | **(73.984.328)** | **(20.535.465)** | **(133.736.285)** | **(31.452.897)** |
| **Net result before income tax** | 4.035.850 | (7.092.646) | (57.414.971) | (13.774.447) |
| Income taxes | (3.278.593) | 230.424 | 13.765.754 | 5.751.095 |
| **Profit (Loss) for the period** | **757.257** | **(6.862.222)** | **(43.649.217)** | **(8.023.352)** |

See accompanying notes to financial statements

**PG HOME GROUP S.P.A.**
**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE PERIODS BETWEEN APRIL 1st 2017 TO MARCH 31st 2018, AND APRIL 1st 2016 TO MARCH 31st 2017**

| | April 1st 2017 to March 31st, 2018 | April 1st 2016 to March 31st, 2017 |
|---|---|---|
| **Capital** | **Ch.$** | **Ch.$** |
| Paid- in capital at the beginning of period | 3.000.000 | 3.000.000 |
| Capital increase during the period | - | - |
| **Balance at the end of period** | **3.000.000** | **3.000.000** |
| Accumulated losses at the beginning of period | (518.566.790) | (474.917.573) |
| Profit (Loss) for the current period | 757.257 | (43.649.217) |
| **Total accumulated profit (loss)** | **(517.809.533)** | **(518.566.790)** |
| **Total Equity at the end of the period** | **(514.809.533)** | **(515.566.790)** |

See accompanying notes to financial statements

**PG HOME GROUP S.P.A.**
**STATEMENTS OF CASH FLOW**
**FOR THE PERIODS BETWEEN APRIL 1st 2017 TO MARCH 31st 2018, AND APRIL 1st 2016 TO MARCH 31st 2017**

| | April 1st 2017 to March 31st, 2018 | April 1st 2016 to March 31st, 2017 |
|---|---|---|
| **Cash flow from operating activities** | **Ch.$** | **Ch.$** |
| Profit (Loss) for the period | 757.257 | (43.649.217) |
| Debits (credits) that do not represent cash flow | | |
| Provision for unrecoverable debts | 8.107.089 | - |
| Depreciation | 1.080.672 | 1.153.102 |
| Income tax | 3.278.593 | (13.765.754) |
| Exchange rate difference | (201.385) | 4.136.587 |
| Assets variations (increase)-decrease | | |
| Accounts receivable and others | 13.314.630 | 8.237.336 |
| Inventories | 1.168.299 | (17.004.638) |
| Taxes | - | 4.920.589 |
| Liabilities variations (decrease)-increase | | |
| Suppliers and others | (12.858.888) | 21.585.609 |
| **Total operational cash flow** | **14.646.267** | **(34.386.386)** |
| **Cash flow from investing activities** | | |
| Investments in fixed and intangible assets | (1.402.219) | - |
| **Total cash flow from investing activities** | **(1.402.219)** | **-** |
| **Cash flow from financing activities** | | |
| Payments and reimbursements of funds to parent company, and adjustments | (5.547.276) | (109.884.515) |
| **Total cash flow from financing activities** | **(5.547.276)** | **(109.884.515)** |
| **Net cash flow for the period** | **7.696.772** | **(144.270.901)** |
| Cash flow at the beginning of period | **10.110.192** | **154.381.093** |
| **Cash flow at the end of period** | **17.806.964** | **10.110.192** |

See accompanying notes to financial statements

**PG HOME GROUP S.P.A.**
**NOTES TO FINANCIAL STATEMENTS**
**AS OF MARCH 31st, 2018 AND 2017**

## 1. - Company constitution

PG HOME GROUP S.P.A. was constituted by public deed dated October 31st, 2008 as a commercial entity for consulting and market research. Its legal address is Avenida Del Valle Nº 4980, office Nº 131, Huechuraba, Santiago. Its main operations are: developing advisory activities, related with market and design professional advisory services.

## 2. - Summary of Significant Accounting Policies

### a) General:

The Financial Statements have been prepared in accordance to the International Financial Reporting Standards. The accounting periods comprise since April1st 2017 to March 31st, 2018 and April 1st 2016 to March 31st 2017.

### b) Cash and cash equivalent definition:

For purposes of the statement of cash flow, the Company considers all investments with a maturity of three months or less to be cash equivalents. Al the end of the periods 2018 and 2017 there are no items to be considered cash equivalents.

The investments in mutual funds are considered as cash equivalent and are valorized at their fair value at the closing date of each period.

### c) Unrecoverable debts:

The provisions for unrecoverable debts are deducted from the asset which was affected by this impairment.

### d) Income Taxes and Deferred Taxes:

In both periods, the company has accounted the deferred taxes, determined on basis in the accumulated tax losses and the differences between the accounting and taxable net income, in accordance to the income tax regulations in force in Chile. The effects of the changes in the income tax rate are accounted by these purposes in the period when the law modification enters in force. On March 26th, 2014, was published the Law N° 20.780 which established a gradual increase in the income tax rate, in accordance to the following detail:

| Year | Tax rate % |
|---|---|
| 2017 | 25,5% |
| 2018 | 27,0% |

At the end of the periods March 31st, 2018 and 2017, the deferred taxes has been determined in accordance to tax rate that will be in force on the future years, in which those differences will be applied to the taxation results.

**2. - Summary of Significant Accounting Policies (continued)**

In both periods, the company has accounted the deferred taxes, determined on basis in the accumulated tax losses and the differences between the accounting and taxable net income, in accordance to the income tax regulations in force in Chile. The effects of the changes in the income tax rate are accounted by these purposes in the period when the law modification enters in force.

**e) Fixed assets and equipment:**

Equipment, furniture and fixed assets in general have been accounted at their acquisition cost. The depreciation has been calculated using the straight-line method, according to the useful lives defined in the instructions from the parent company, taking into account the estimated residual values of the initial purchase price, as applicable.

The premises refitting item comprises the costs related with the local office implementation, which is under operating lease. These costs are depreciated in accordance to the remaining lease contract periods.

**f) Vacation provision and other accrued costs:**

The Company has accounted a provision for the accrued cost of vacations and other employee benefits. Provisions have also been established for costs accrued at the close of the financial statements for which no invoice or supporting documentation had yet been received. These provisions are shown in the sundry credits item.

**g) Functional Currency:**

These financial statements are expressed in Chilean Pesos. This functional currency has been defined by the Company in accordance that the most significant flows and transactions in Chile are expressed in that Chilean Pesos. The exchange rate applied to convert the US, Dollars balances at the end of the current period, was Ch. $ 603, 39 by each US Dollar as of March 31$^{st}$, 2018.

**h) Recognition of operating income:**

The Company recognizes the operating income (services) in accordance to the completion percentage. Since 2012 the Company is developing advisory activities, related with market and design professional advisory services, to its parent company. These incomes are accounted in accordance to the previously explained criteria,

**i) Administrative expenses reimbursements:**

Since November 2009, the company has subscribed an agreement with its parent company in order to obtain the reimbursement of certain administrative expenses, paid during this year. The refunds of those expenses obtained for this concept are shown deducting the operational income and administrative expenses.

**2. - Summary of Significant Accounting Policies (continued)**

**j) Compensation to personnel for years of service:**

This provision was made for this concept due the Company has agreed this benefit with its main staff.

k**) Inventories:**

The inventories of stocks have been valuated at their acquisition cost, which does not exceed their realizable value. The company has accounted provisions when the net realizable value of the stocks exceeds their book value.

**l) Intangible:**

This item comprises the trade brands that belong to the company and to its parent company, which are registered for that purpose in Chile. This item comprises also, the cost of the merchandise licenses, acquired by the Company. These assets are accounted to their cost which does not exceed their realizable value.

**m) Prepaid expenses:**

This item comprises the cost of the merchandise licenses, acquired by the Company. These assets are accounted to their cost which does not exceed their realizable value, and have been amortized in accordance to their potential of revenue generation

**3. Accounting Changes**

There were no accounting changes in both periods.

## 4. Income Taxes and Deferred Taxes

### a) As of March 31st, 2017

At the end of the period April 1st to March 31st, 2018 the company determined a taxable loss of Ch. $ 528.075.751. The detail of the determination of the assets by deferred taxes as March 31st, 2018 is the following:

| Deferred tax concept | **Ch. $** | Tax rate | **Ch.$** |
|---|---|---|---|
| Tax loss | 528.075.751 | 27% | 142.580.453 |
| Other taxable adjustments | | | 21.780.099 |
| **Total accumulated asset by deferred tax to March 2018** | | | **164.360.552** |

2) The variation of the balance asset by deferred taxes in comparison to the previous period is the following:

| Balance to March 2017 | **Ch. $** |
|---|---|
| Deferred tax asset | 167.639.144 |
| Increase for the period | (3.278.592) |
| Balance to March 2018 | **164.360.552** |

3) Reconciliation between the nominal tax rate and the effective tax rate for the period April 1st 2017 to March 31st, 2018

| | **Ch. $** |
|---|---|
| Net loss before income tax | 4.035.850 |
| Plus: non taxable expenses (assets write off) | 8.107.089 |
| Total | 12.142.939 |
| Nominal tax rate | 27% |
| Net effective credit to results for the period, due to income tax | **3.278.593** |
| **Effective tax rate** | **27%** |

In accordance to note 2d) for the period ended as of March 31st, 2018, the income tax rate that was applied to account the deferred taxes originated by the tax loss, was determined in accordance to the period in which the Company estimated that tax losses will be applied to the future profits.

**4. Income Taxes and Deferred Taxes, continued**

**b) As of March 31st, 2017**

At the end of the period April 1st to March 31st, 2017 the company determined a taxable loss of Ch. $ 535.810.957. The detail of the determination of the assets by deferred taxes as March 31st, 2017 is the following:

| Deferred tax concept | **Ch. $** | Tax rate | **Ch.$** |
|---|---|---|---|
| Tax loss | 535.810.957 | 27% | 144.668.958 |
| Other taxable adjustments | | | 22.970.186 |
| **Total accumulated asset by deferred tax to March 2017** | | | **167.639.144** |

2**)** The variation of the balance asset by deferred taxes in comparison to the previous period is the following**:**

| Balance to March 2017 | **Ch. $** |
|---|---|
| Deferred tax asset | 153,873.391 |
| Increase for the period | 13.765.753 |
| Balance to March 2017 | **167.639.144** |

3) Reconciliation between the nominal tax rate and the effective tax rate for the period April 1st to March 31st, 2017

| | **Ch. $** |
|---|---|
| Net loss before income tax | (57.414.971) |
| Nominal tax rate | 27% |
| Net nominal credit to results for the period, due to income tax, | 15.502.042 |
| Net effective credit to results for the period, due to income tax | **13.765.754** |
| **Effective tax rate** | **23,9%** |

In accordance to note 2d) for the period ended as of March 31st, 2017, the income tax rate that was applied to account the deferred taxes originated by the tax loss, was determined in accordance to the period in which the Company estimated that tax losses will be applied to the future profits.

## 5. Intercompany balances and transactions

### a) Balances

Note 1: The expenses reimbursed are expressed in Chilean Pesos. Its conversion to United States Dollars is presented only for referential purposes.

| 1) Balance as of March 31st, 2018 | Initial | Transactions | | | Final |
|---|---|---|---|---|---|
| | Balance | Transfer of funds | Reimbursements of expenses | Invoice of advisories | Balance |
| | Ch.$ | Ch.$ | Ch.$ | Ch.$ | Ch.$ |
| Accounts payable P G Home Group Limited | 694.976.730 | 254.515.693 | (197.281.918) | (62.781.051) | 689.429.454 |
| **Total** | **694.976.730** | 254.515.693 | **(197.281.918)** | **(62.781.051)** | **689.429.454** |

| 2) Balance as of March 31st, 2017 | Initial | Transactions | | | Final |
|---|---|---|---|---|---|
| | Balance | Invoicing and transfer of funds and exchange rate | Collect of funds and reimbursements | Exchange rate | Balance |
| | Ch.$ | Ch.$ | Ch.$ | Ch.$ | Ch.$ |
| Accounts payable P G Home Group Limited | 807.186.387 | - | (112.209.657) | - | 694.976.730 |
| **Total** | **807.186.387** | - | (112.209.657) | - | **694.976.730** |

### b) Design professional advisory agreement

On 1st day of November 2009 the parent company PG Home Group Limited and PG Home Group S.P.A. have subscribed a market and design professional advisory agreement. This document establishes the following:

1. To assist the performance of each transaction that is made or could probably be made by PGHGL within the Chilean and South American market, in particular with respect to the determination of home décor products pursuant consumer's requirements.
2. To provide specialized advisory services to implement and develop a local strategic planning for the relevant market.
3. To provide assistance in furnishing and designing of catalogues for collections of home décor products to serve the regional market.

**b) Design professional advisory agreement, continued**

4. To provide assistance with respect to sampling, publicity, promotion and introduction and marketing of new products in the market.
5. To provide advisory services in the development and implementation of introduction and stay of new home décor products within the market.
6. To provide advisory services relating to purchase techniques and procedures as well as the development of suppliers, inventory keeping, among others, taking into account for these purposes the production methods and techniques used by other companies within the same industry.

Furthermore, in accordance with that agreement PG Home Group Limited, shall solely bear and reimburse to PG Home Group S.P.A. the following costs:

1) Employee costs
2) Expenses relating to Travel
3) Sampling and courier costs

On a monthly basis, PG Home Group S.P.A. Chile shall deliver to its Parent Company a written statement itemizing above cost and expenses.
Parties agree to fix the service fees as the resulting sum of costs and expenses (excluding costs referred above) incurred by PGHG Chile to support services provided herein with a 2% accrued margin.

On May 14th, 2014 both parties modified the Agreement by executing an Amendment dated April 15, 2013 to expand PGHG Chile's duties to undertake several license agreements for both the Chilean and South American market, to which PGHG Chile should negotiates and pays the correspondent royalties and also bear the costs to each of the hired licenses while in effect, included and not limited to payroll, design, marketing to said licensed products and other disbursements.

In that document both parties have agreed to increase the margin related to the cost plus structure by which PGHG Chile is remunerated, and they also wish to adapt the cost allocation due to the constant market changes by mains of providing a mutually agreed method to borne such costs, now therefore, the parties have agreed to reflect in written the mutual covenants and enter into this Second Amendment to Market and Design Professional Market Advisory Agreement, under the provisions set forth below:

The parties agree to amend the Clause III, Section 3.1. Letterhead B) referred to cost reimbursement and fees, in which the parties agree to fix the service fees as the resulting sum of costs and expenses incurred by PGHG Chile to support services provided herein with a ten percent (10%) accrued margin."

**c) Foreign Shareholders Loan Agreement**

On December 17th, 2015 PT Home Group SPA and its Parent Company subscribed a Foreign Shareholders Loan Agreement. Their main terms and clauses are the following:

1. Lender has already advance to the Borrower CLP **1.048.927.787** (**one thousand forty-eight million nine hundred twenty-seven thousand seven hundred and eighty-seven Chilean Pesos) (**"Principal Sum") to Borrower for corporate purposes of Borrower. Borrower hereby promises to repay to the order of Lender at its offices aforesaid, in lawful money of the United States of America at the exchange of affixed herein and in immediately available funds, the Principal Sum together with outstanding interest accruing thereon at the Interest Rate (as defined below), at on the next 30 calendar days from February January 31, 2018; if it's not required the payment by Lender at that time, Borrower promises to pay at the next 30 calendar days from January 1 2020; if it's not required the payment by Lender on any of those dates, Borrower promises to pay from 1 January 2025(anyone of those dates are consequentially considerate as "Maturity Date"). Upon request of Lender at any time and from time to time, Borrower shall execute and deliver a term promissory note payable to Lender in the Principal Sum. Principal Sum will only be executed from 1 January 2025.

2. Borrower shall have the option to pay a portion of the Principal Sum to Lender at anyone of the defined Maturity Date, and request lender for an extension of the Maturity Date to repay the balance portion, for which Lender has the option to agree or reject. Interests are to be accrued on the outstanding Principal Sum as defined below. Parties to agree on a new Maturity Date in written at any time but before the set Maturity Date.

3. Borrower agrees to pay interest at the rate of **3.25% per annum** ("Interest Rate") on the Principal Sum from the loan funding date until Maturity Date. Interest shall be payable in arrears by Borrower on the first day of every quarter (or the next business day if the first day is not a business day), meaning on January 1 2018, January 1 2020, and January 1, 2025.

In accordance the terms of agreement previously detailed, the balance payable with the parent company was established in Chilean Pesos at March 31st, 2018 and was classified in as a long term liability.

c) **Expenses reimbursements**. During the period April 1st 2017 to March 31st, 2018 the amount of the expenses reimbursements recovered from the parent company was an amount of Ch. $ 197.281.918.-

## 6. Equity Changes

The Changes in the Equity occurred in both periods are the following:

### a) As of March 31st, 2018:

| | Capital | Accumulated losses | Profit (loss) for the period | Total |
|---|---|---|---|---|
| | Ch.$ | Ch.$ | Ch.$ | Ch.$ |
| Balance at the beginning of period | 3.000.000 | (474.917.573) | (43.649.217) | (515.566.790) |
| Reclassification profit (loss) previous period | - | (43.649.217) | 43.649.217 | - |
| (Loss) for the period | - | - | 757.257 | 757.257 |
| **Balance at the end of the period** | **3.000.000** | **(518.566.790)** | **757.257** | **(514.809.533)** |

### b) As of March 31st, 2017:

| | Capital | Accumulated losses | Profit (loss) for the period | Total |
|---|---|---|---|---|
| | Ch.$ | Ch.$ | Ch.$ | Ch.$ |
| Balance at the beginning of period | 3.000.000 | (248.062.845) | (226.854.728) | (471.917.573) |
| Reclassification ( loss ) profit previous period | - | (226.854.728) | 226.854.728 | - |
| (Loss) for the period | - | - | (43.649.217) | (43.649.217) |
| **Balance at the end of period** | **3.000.000** | **(474.917.573)** | **(43.649.217)** | **(515.566.790)** |

The capital is comprised by 1,000 shares, fully paid. There were not share transactions during the periods April 1st to March 31st, 2017 and 2012, and April1st 2017 to March 31st, 2018.

## 7. Commitments and Contingencies

There are not judgments, contingencies or litigations, which could affect the company,

## 8. Taxes payable and recoverable

### a) Taxes recoverable:

| | March 31st, 2018 | March 31st, 2017 |
|---|---|---|
| **Current taxes recoverable** | **Ch.$** | **Ch.$** |
| V.A.T | 602.518 | 1.250.247 |
| Other recoverable taxes | - | 2.932.344 |
| Provisional monthly payment (to income tax) | - | 329.114 |
| **Total** | **602.518** | **4.511.705** |

### b) Taxes payable:

There are not balances for this item as of March 31st, 2018 and 2017.

## 9. Administrative Expenses

The detail of the administrative expenses item for the period April 1st to March 31st, 2018 is the following:

| | Ch.$ |
|---|---|
| Rent Office | 17.577.766 |
| Accounting Fees | 8.491.271 |
| Write off brands and taxes | 5.688.147 |
| Professional advising | 5.628.371 |
| Office community spending | 4.489.834 |
| Fees | 3.938.888 |
| Office Maintenance | 2.667.574 |
| Unrecoverable debts | 2.418.942 |
| Maintenances | 2.358.613 |
| Telephone-Internet | 2.302.991 |
| Travel | 1.839.785 |
| Accommodation expenses | 1.749.686 |
| Attention consumptions | 1.462.389 |
| Electric Power | 1.422.308 |
| Depreciation Expenses | 1.080.672 |
| IVA Not Returnable | 638.490 |
| Other | 472.564 |
| Commissions | 343.220 |
| Security | 320.080 |
| Repair Offices | 267.362 |
| Water | 181.572 |
| License county | 148.343 |
| Freights | 140.000 |
| Repair of equipment and machinery | 64.930 |
| Bank interest | 56.977 |
| Notarial expenses | 42.000 |
| Subscriptions | 30.571 |
| Vacations | 6.371 |
| Post office | 4.000 |
| Assurances | (9.432) |
| Adjustment income from previous periods | (270.130) |
| **TOTAL** | **65.554.155** |

## 9. Administrative Expenses, continued

The detail of the administrative expenses item for the period April 1st to March 31st 2017 is the following

| | Ch. $ |
|---|---|
| Rent Office | 17.004.921 |
| Adjustment income from previous periods | 11.588.206 |
| Accounting Fees | 10.709.483 |
| Professional advisories | 8.858.100 |
| Air passages | 5.412.337 |
| Vacations | 4.788.110 |
| Office community expenses | 3.870.672 |
| Quittance | 3.823.556 |
| Maintenances | 2.374.226 |
| Telephone-Internet | 2.211.628 |
| Office Maintenance | 2.158.470 |
| Post office | 1.581.151 |
| Fees | 1.557.810 |
| Electric Power | 1.308.028 |
| Depreciation Expenses | 1.153.102 |
| Expenses by trips | 1.115.582 |
| IVA Not Returnable | 895.982 |
| Commissions | 719.188 |
| Bonus | 700.000 |
| Travel | 649.155 |
| Attention consumptions | 461.189 |
| Assurances | 385.762 |
| Security | 313.995 |
| Bonus | 248.915 |
| Water | 186.688 |
| Office Maintenance | 160.791 |
| License county | 62.201 |
| Other Expenditures | 25.403 |
| Subscriptions | 23.800 |
| Notarial expenses | 17.000 |
| Interests, fines | 1.802 |
| **TOTAL** | **84.367.253** |

## 10. Lease contracts

The main lease contract subscribed by the Company since October 2012 to the present time and corresponds to the office where the commercial activities are performed. The summary of main clauses of that contract is the following:

- Location of premise: Avenida del Valle Nº 4,980 offices Nº 131, Huechuraba, Santiago de Chile.
- Name of Landlord: Inversiones Los Sauzales Ltda.
- Contract term: Three years, period from August 1st 2012 to October 31st, 2016 (as initial ending period). In accordance to the lease contract, its term will be automatically renewed at the end of every period by one year if both parts do not state its opposite intention. This contract was renewed to the present time.
- Monthly Rent: Period from August 1st 2012 to October 31st 2016: UF, 60 plus V.A.T. Approximately Th. Ch. $ 1.351.- Period from August 1st 2016 to October 31st 2016: UF 90, approximately Th. Ch. $ 2,027. Since November 2016 to the present, the monthly rent ascends to U.F 55, approximately Th. Ch$ 1.450.
- The "Unidades de Fomento" is a local currency which value Changes every day in accordance to the inflation rate.

- Break clauses:

- Not paying the monthly rent on time.
- Using the property to a use other than that set out in the lease.
- Do not keep the property in good condition.
- Late or not payment of the costs of property use (electricity, etc.)

Since November 2016 this contract was renewed by one year, in accordance to the clauses established in the document. The rent since this period is U.F. 55 (Ch. $ 1.450, approximately). At the current period, this contract has been renewed in the same conditions.

## 11. Inventories

The composition of these items to March 31st, 2018 and 2017 is the following

| | March 31st, 2018 | March 31st, 2017 |
|---|---|---|
| | Ch.$ | Ch.$ |
| Inventories to be sold, in warehouse | 247.407 | 5.649.720 |
| Provision for obsolescence of stocks | - | (2.824.860) |
| **Total** | **247.407** | **2.824.860** |

## 12. Compensation to personnel for years of service

Due the Company has not agreed this benefit with its main staff; consequently no provision has been accounted a provision for this concept.

## 13. Fixed assets and intangibles

a) The composition of these items to March 31st, 2018 is the following:

| | Furniture & Fixtures | Office Equipment | Brands | Total |
|---|---|---|---|---|
| | Ch.$ | Ch.$ | Ch.$ | Ch.$ |
| Cost | | | | |
| Initial balance to 31.3.2017 | 1.824.199 | 12.983.575 | 2.662.836 | 17.470.610 |
| Write –off | - | - | (2.662.836) | - |
| Acquisitions | 262.017 | 1.140.202 | - | 1.402.219 |
| Balance to December 31st , 2017 | **2.086.216** | **14.123.777** | **-** | **18.872.829** |
| Less: | - | - | - | |
| Accumulated depreciation | | | | |
| Initial balance to 31.3.2017 | 1.816.460 | 10.561.194 | - | 12.377.654 |
| Movements for the period April 1,to December 31st 2017 | | | | |
| Net depreciation for the period | 52.402 | 1.028.270 | - | 1.080.672 |
| Write-off | - | - | - | - |
| Total to December 31st,2017 | **1.868.862** | **11.589.464** | **-** | **13.458.326** |
| **Net book value to December 31st, 2017** | **217.354** | **2.534.313** | **-** | **5.414.503** |

## 13. Fixed assets and intangibles

b) The composition of these items to March 31st, 2017 is the following:

| | Furniture & Fixtures | Office Equipment | Brand | Total |
|---|---|---|---|---|
| | Ch.$ | Ch.$ | Ch.$ | Ch.$ |
| Cost | | | | |
| Initial balance to 31.3.2017 | 1.824.199 | 12.983.575 | 2.662.835 | 17.470.609 |
| Write –off | - | - | - | - |
| Acquisitions | - | | - | - |
| Balance to March 31st , 2018 | **1.824.199** | **12.983.575** | **2.662.835** | **17.470.609** |
| Less: | - | - | - | |
| Accumulated depreciation | | | | |
| Initial balance to 31.3.2017 | 1.816.460 | 9.408.092 | - | 11.224.552 |
| Movements for the period April 1 2017,to March 31st, 2018 | | | | |
| Net depreciation for the period | | 1.153.102 | - | 1.153.102 |
| Write-off | - | - | - | - |
| Total to March 31st,2018 | **1.816.460** | **10.561.194** | **-** | **12.377.654** |
| Net book value to March 31st, 2018 | **7.739** | **2.422.381** | **2.662.835** | **5.092.955** |

### c) Intangibles

The Company has subscribed a merchandise license agreement, in order to perform locally a new business line. The Company has accounted a write-off for these balances as of March 31st, 2018.

## 14. Other assets

The detail of these items in both periods is the following:

| | March 31st, 2018 Ch.$ | March 31st, 2017 Ch.$ |
|---|---|---|
| **Current** | | |
| Prepayment for office rent | 1.483.179 | 1.455.863 |
| **Total** | **1.483.179** | **1.455.863** |

| | March 31st, 2018 Ch.$ | March 31st, 2017 Ch.$ |
|---|---|---|
| **Non-current** | | |
| Warranty for rent office | 3.582.751 | 3.534.595 |
| **Total** | **3.582.751** | **3.534.595** |

## 15. Sundry credits

The composition of these items in both periods is the following:

| | March 31st, 2018 Ch.$ | March 31st, 2017 Ch.$ |
|---|---|---|
| Accrued expenses | 1.809.004 | 13.621.451 |
| Vacations provision | 6.100.086 | 7.027.387 |
| Wages and fees payable | 1.142.766 | 1.269.460 |
| **Total** | **9.051.856** | **21.918.298** |

## 16. Suppliers

The composition of these items in both periods is the following:

| | March 31st, 2018 Ch.$ | March 31st, 2017 Ch.$ |
|---|---|---|
| Suppliers | 1.835.294 | 1.149.721 |
| Suppliers in other currencies | 688.826 | 688.826 |
| Deposits in transit and others | 776.729 | 836.279 |
| **Total** | **3.300.849** | **2.674.826** |

## 17. Withholdings

The composition of these items in both periods is the following:

| | March 31st, 2018 Ch.$ | March 31st, 2017 Ch.$ |
|---|---|---|
| Pension costs | 2.339.911 | 2.982.578 |
| Income tax payable, applied to wages | 1.522.501 | 1.467.192 |
| Income tax payable, applied to fees | - | 31.111 |
| **Total** | **3.862.412** | **4.480.881** |

## 18. Income statement for the last quarter:

The composition of the income statement for these periods is the following:

| | January 1st to March 31st, 2018 | January 1st to March 31st, 2017 |
|---|---|---|
| Income | **Ch.$** | **Ch.$** |
| Operational income | | |
| Sale of goods | 781.373 | 4.705.398 |
| Advisories | 12.921.928 | 13.528.967 |
| Other income | - | - |
| | | |
| Non-operational income (expenses) | | |
| Financial income | - | - |
| Exchange rate difference and others | (260.482) | (555.915) |
| **Total income** | **13.442.819** | **17.678.450** |
| | | |
| Expenses | | |
| Cost of goods sold | (1.782.014) | (5.430.632) |
| Provision for stocks valuation | - | (2.824.859) |
| Administrative expenses | (18.753.451) | (23.197.406) |
| **Total expenses** | **(20.535.465)** | **(31.452.897)** |
| **Net result before income tax** | **(7.092.646)** | **(13.774.447)** |
| Income taxes | 230.424 | 5.751.095 |
| **Profit (Loss) for the period** | **(6.862.222)** | **(8.023.352)** |

## 19. Clients receivable

**a)** There are not balances for this item as of March 31st, 2018

**b)** The composition of this item is the following as of March 31st, 2017

| | TOTAL | | Current | 0-30 days | 31-60 days | 61-90 days | 91 and more days |
|---|---|---|---|---|---|---|---|
| Client | Ch.$ | % | Ch.$ | Ch.$ | Ch.$ | Ch.$ | Ch.$ |
| Blue Express | 152.740 | 2% | - | - | - | - | 152.740 |
| Farid Gamal | 973.173 | 12% | - | - | - | - | 973.173 |
| Comercial Sercomat | (20.000) | 0% | - | - | - | - | (20.000 ) |
| Remates Pacifico | 1.187.025 | 15% | - | - | 1.187.025 | - | - |
| Rodrigo Espinoza | (50.720) | -1% | - | - | - | - | (50.720) |
| Zarate y Cia | 556.920 | 7% | - | - | - | - | 556.920 |
| Empresas Cic | 4.499.402 | 56% | 4.499.402 | - | - | - | - |
| Sociedad Silva Gutierrez | 267.750 | 3% | 267.750 | - | - | - | - |
| Tickets | 422.772 | 5% | 422.772 | - | - | - | - |
| TOTAL | 7.989.062 | 100% | 5.189.924 | - | 1.187.025 | - | 1.612.113 |

## 20. Subsequent events

No events had subsequently occurred by the date of these financial statements that might materially impact the content or presentation of the financial statements.

# REDWOOD INTERNET VENTURES LIMITED

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

**LOUIS LAI & LUK CPA LIMITED**
**CERTIFIED PUBLIC ACCOUNTANTS**

# REDWOOD INTERNET VENTURES LIMITED

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# REDWOOD INTERNET VENTURES LIMITED

## REPORT OF THE DIRECTORS

The directors present their consolidated annual report and the annual consolidated audited financial statements of the Company for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The Group has commenced business on April 1, 2017. The principal activity of the Group is provision of agency services.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company and its subsidiary ("the Group") are set out in Note (15) to the consolidated financial statements. There were no movements during the year.

There were no movements in reserves except for changes to accumulated losses which arose from profit or loss.

### PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (11) to the financial statements.

### INTANGIBLE ASSETS

Movements in intangible assets are set out in Note (10) to the financial statements.

### DIRECTORS

(a) Directors of the Company

The directors of the Company during the year and at the date of this report were:

Pallak SETH
Deepak Kumar SETH
Arun CHANDRA MOHAN

In accordance with Article 23 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiary

During the period and up to date of this report, Pallak SETH, Deepak Kumar SETH and Arun CHANDRA MOHAN are also the directors of the subsidiary of the Company.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year.

## MANAGEMENT CONTRACTS

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

## BUSINESS REVIEW

The Group falls within reporting exemption for the financial period. Accordingly, the Group is exempted from preparing a business review for this financial year.

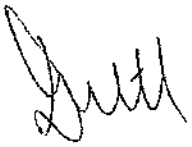
## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors was in force during the year and up to the date of this report.

## AUDITORS

During the period, Messrs. Louis Lai & Luk CPA Limited has been appointed as the auditors of the Company. They now retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Deepak Kumar SETH
Chairman

Hong Kong,

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF**
# REDWOOD INTERNET VENTURES LIMITED
**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the consolidated financial statements of Redwood Internet Ventures Limited ("the Company") and its subsidiaries ("the Group") set out on pages 7 to 27, which comprise the statement of financial position as at March 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of charges in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating To The Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2e) to the financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the shareholder and related company and the attaining of profitable and positive cash flow operations, and the Group may turn to a commercially viable concern. The consolidated financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those Charged With Governance for the Consolidated Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

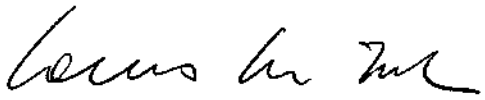
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong,

# REDWOOD INTERNET VENTURES LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | USD | USD |
| REVENUE | (6) | 7,660 | - |
| OTHER GAIN | (6) | 2,966 | - |
| OPERATING EXPENSES | | (564,242) | (71,857) |
| LOSS BEFORE TAXATION | (7) | (553,616) | (71,857) |
| TAXATION | (9) | 117,872 | 3,202 |
| LOSS FOR THE YEAR | | (435,744) | (68,655) |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | (435,744) | (68,655) |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# REDWOOD INTERNET VENTURES LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | USD | USD |
| Non-Current Assets | | | |
| Intangible assets | (10) | 598,934 | 650,103 |
| Plant and equipment | (11) | 14,056 | 20,168 |
| Investment in an associate | (13) | - | 90,246 |
| Deferred tax assets | (9) | 120,055 | 3,313 |
| Other asset | | 4,670 | - |
| | | 737,715 | 763,830 |
| Current Assets | | | |
| Trade and other receivables | (12) | 11,237 | - |
| Deposit and prepayment | | 14,807 | - |
| Short-term loans and advances | | - | 249 |
| Cash and cash equivalents | | 65,243 | 36,697 |
| | | 91,287 | 36,946 |
| Current Liabilities | | | |
| Accrued expenses | | 3,152 | 1,292 |
| Other payables | | 82,418 | 35,260 |
| Long-term provisions | | 7,466 | 3,289 |
| Amount due to a director | | 66,387 | - |
| Amount due to a related company | (14) | 474,400 | 113,600 |
| Amount due to a shareholder | (14) | 740,000 | 740,000 |
| | | 1,373,823 | 893,441 |
| Net Current Liabilities | | (1,282,536) | (856,495) |
| NET LIABILITIES | | ( 544,821) | ( 92,665) |
| DEFICIT | | | |
| Share capital | (15) | 10,000 | 10,000 |
| Translation reserve | | ( 5,876) | 10,536 |
| Accumulated losses | | ( 548,945) | ( 113,201) |
| TOTAL DEFICIT | | ( 544,821) | ( 92,665) |

APPROVED BY THE BOARD OF DIRECTORS ON THE BOARD BY:

Deepak Kumar SETH
Director

AND SIGNED ON BEHALF OF

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# REDWOOD INTERNET VENTURES LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Translation reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| At April 1, 2016 | 10,000 | - | ( 44,546) | ( 34,546) |
| Loss for the year and total comprehensive loss for the year | - | 10,536 | ( 68,655) | ( 58,119) |
| At March 31, 2017 and April 1, 2017 | 10,000 | 10,536 | (113,201) | ( 92,665) |
| Loss for the year and total comprehensive loss for the year | - | (16,412) | ( 435,744) | (452,156) |
| At March 31, 2018 | 10,000 | ( 5,876) | ( 548,945) | (544,821) |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# REDWOOD INTERNET VENTURES LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | (553,616) | ( 71,857) |
| Adjustment for: | | |
| Depreciation | 8,441 | 4,966 |
| Amortisation | 56,984 | 938 |
| Impairment loss on investment in an associate | 90,246 | - |
| **OPERATING LOSS BEFORE WORKING CAPITAL CHANGES** | (397,945) | ( 65,953) |
| (Increase)/Decrease in trade and other receivables | ( 11,237) | 45,614 |
| Decrease/(Increase) in short-term loans and advances | 249 | ( 249) |
| Increase in deposit and prepayment | ( 14,807) | - |
| Increase in amount due to a related company | 360,800 | 103,466 |
| Increase in amount due to a shareholder | - | 400,000 |
| Increase in amount due to a director | 66,387 | - |
| Increase/(Decrease) in accrued expenses | 1,860 | ( 7,051) |
| Increase in other payables | 47,158 | 35,260 |
| Increase in long-term provisions | 4,177 | 3,289 |
| Cash generated from operations and net cash generated from operating activities | 56,642 | 514,376 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Payment to intangible assets under development | - | (496,113) |
| Payment to intangible assets | - | ( 7,321) |
| Payment to acquire plant and equipment | ( 2,238) | ( 25,307) |
| Investment in associate | - | ( 90,246) |
| Net cash used in investing activities | ( 2,238) | (618,987) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 54,404 | (104,611) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 36,697 | 130,677 |
| **EFFECT OF FOREIGN EXCHANGE DIFFERENCE** | ( 25,858) | 10,631 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 65,243 | 36,697 |

THE NOTES ON PAGES 11 TO 27 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# REDWOOD INTERNET VENTURES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Redwood Internet Ventures Limited is a company incorporated in Hong Kong with limited liability. The principal activity of the Group is provision of agency services. The address of its registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention except that the investment properties, intangible assets and financial assets at fair value through profit or loss are stated at fair value and are presented in United States Dollars ("USD"), which is also the Groups functional and transactional presentation currency.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Group, and accordingly, they have had no material impact on the Group's consolidated financial statements for the year ended March 31, 2018.

c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied any new and revised HKFRSs that have been issued but are not year effective for the accounting year ended March 31, 2018, in these consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Associate

An associate is an enterprise, not being a subsidiary nor a jointly controlled entity, over which the Company is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associates, less any identified impairment loss. When the Company's share of losses of an associate equals or exceeds its interest in that associate. The Company discontinues recognising its share of further losses.

e. Going Concern

The shareholder and related company have confirmed their willingness to provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance, the consolidated financial statements have been prepared on a going concern basis.

f. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Basis of Consolidation (Cont'd)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity.

In the Company's statements of financial position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary are accounted for by the Company on the basis of dividends received and receivable.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

h. Intangible Assets

Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. It is amortised over its estimated life of three years using straight line method. If there is an indication that there has been a significant change in the amotisation rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

i. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Financial Assets

The Group's financial assets are only classified under loans and receivables category.

k. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

l. Financial Liabilities

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities comprise amount due to a related company, amount due to a shareholder and accrued expenses which are subsequently measured at amortized cost, using the effective interest method.

m. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

n. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

o. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States Dollars ("USD"), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 consolidated statement of profit or loss and other comprehensive income.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable loss, and is accounted for using the consolidated statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable loss will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax loss nor the accounting loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated statement of profit or loss and other comprehensive income.

q. Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Services income is recognized when the service is rendered.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

r. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the consolidated statement of profit or loss and other comprehensive income.

No provision on employee entitlements to annual leave is provided in the consolidated financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognised until the time of leave.

s. Related Parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or a parent of the Group.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

t. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Group's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Group comprise trade and other receivable, deposits, amounts due from fellow subsidiaries, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the consolidated and company statements of financial position or in the corresponding notes to the consolidated financial statements. The financial liabilities of the Group comprise trade and other payables, and amounts due to immediate holding company and fellow subsidiaries which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the consolidated statement of financial position or in the corresponding notes to the consolidated financial statements.

### (ii) Financial risk management

The Group's financial risks are limited by the financial management policies and practices described below.

#### (a) Liquidity risk

As the holding company and related company have confirmed its willingness to provide continuous financial support to the Group, the management is of the opinion that the Group is adequately protected from the liquidity risk.

#### (b) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As the shareholder and related company have confirmed the willingness to provide continuous financial support, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

6. REVENUE AND OTHER GAIN

| Revenue and other gain recognized during the year are as follows: | 2018<br>USD | 2017<br>USD |
|---|---|---|
| Revenue: | | |
| Services income | 7,660 | - |
| Other gain: | | |
| Exchange gain, net | 2,966 | - |
| Total revenue recognized | 10,626 | - |

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/ (crediting):

| | | |
|---|---|---|
| Auditor's remuneration | 3,408 | 4,220 |
| Depreciation | 8,441 | 4,966 |
| Amortization | 56,984 | 938 |
| Exchange gain, net | (2,966) | - |
| Impairment loss on investment in an associate | 90,246 | - |

8. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Group disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018<br>USD | 2017<br>USD |
|---|---|---|
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | - | - |
| Retirement benefits | - | - |
| | - | - |

8. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Group and its holding Company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

During the year, no loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director

In the opinion of the directors, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

(iii) Material interests of directors (including shadow directors) of the Group disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

9. TAXATION

No Hong Kong profits tax has been provided in the financial statement as the income of the Company neither arises in nor is derived from Hong Kong. Income tax of subsidiary has been provided at the prevailing rate of the country the subsidiary operates.

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Overseas deferred tax | 117,872 | 3,202 |

a. The tax charge for the year can be reconciled to the loss per consolidated statement of profit or loss and other comprehensive income as follows:

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Loss before taxation | (553,616) | (71,857) |
| Tax at the domestic income tax rate | (166,250) | (11,856) |
| Tax loss not yet recognised | 166,250 | 1,055 |
| Current year deferred tax | 117,872 | 3,202 |
| Others | - | 10,801 |
| Taxation expense for the year | 117,872 | 3,202 |

b. The following is the analysis of deferred tax balance presented on the consolidated statement of financial position.

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Subsidiary: | | |
| Deferred tax assets | 120,055 | 3,313 |

10. INTANGIBLE ASSETS

| | Intangible assets under development | Software | Total |
|---|---|---|---|
| Cost | USD | USD | USD |
| At 1/4/2016 | 147,640 | - | 147,640 |
| Additions | 496,113 | 7,321 | 503,434 |
| At 31/3/2017 and 31/3/2018 | 643,753 | 7,321 | 651,074 |
| Accumulated Depreciation | | | |
| At 1/4/2016 | - | - | - |
| Charge for the year | - | 938 | 938 |
| Exchange realignment | - | 33 | 33 |
| At 31/3/2017 and 1/4/2017 | - | 971 | 971 |
| Charge for the year | 55,525 | 1,459 | 56,984 |
| Exchange realignment | ( 5,836) | 21 | ( 5,815) |
| At 31/3/2018 | 49,689 | 2,451 | 52,140 |
| Net Carrying Amount | | | |
| At 31/3/2018 | 594,064 | 4,870 | 598,934 |
| At 31/3/2017 | 643,753 | 6,350 | 650,103 |

## 11. PLANT AND EQUIPMENT

| | Computer |
|---|---|
| Cost | USD |
| At 1/4/2016 | - |
| Additions | 25,307 |
| At 31/3/2017 and 1/4/2017 | 25,307 |
| Additions | 2,238 |
| At 31/3/2018 | 27,545 |
| Accumulated Depreciation | |
| At 1/4/2016 | - |
| Charges for the year | 4,966 |
| Exchange realignment | 173 |
| At 31/3/2017 and 1/4/2017 | 5,139 |
| Charge for the year | 8,441 |
| Exchange realignment | ( 91) |
| At 31/3/2018 | 13,489 |
| Net Carrying Amount | |
| At 31/3/2018 | 14,056 |
| At 31/3/2017 | 20,168 |

## 12. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Trade receivables | 4,223 | - |
| Other receivables | 7,014 | - |
| | 11,237 | - |

## 13. INVESTMENT IN AN ASSOCIATE

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Unlisted shares, at cost | 90,246 | 90,246 |
| Less : Impairment loss | (90,246) | - |
| | - | 90,246 |

Details of the Company's associate at March 31, 2018 is as follows:

| Name of associate | Place of incorporation | Effective interest held by the Group | | Principal activities |
|---|---|---|---|---|
| | | Directly | Indirectly | |
| Urban Joy E Service Private Limited | Indian | 22.5% | - | Designing, promotion and launch of home furnishing rental web portal |

## 14. AMOUNT DUE TO A SHAREHOLDER/A RELATED COMPANY

The amount due to a shareholder/a related company is unsecured, interest-free and has no fixed terms of repayment. The shareholder/related company agreed not to demand repayment of the amount due until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

## 15. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | USD | | USD |
| Issued and fully paid: Ordinary shares of US$1 each | | | | |
| At March 31 | 10,000 | 10,000 | 10,000 | 10,000 |

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

16. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | USD | USD |
| Non-Current Assets | | | |
| Interest in a subsidiary | (16a) | 709,565 | 723,564 |
| Current Assets | | | |
| Cash and cash equivalents | | 18,421 | 4,549 |
| Current Liabilities | | | |
| Other payables | | 26,250 | 26,250 |
| Accrued expenses | | 1,822 | 578 |
| Amount due to related companies | (16b) | 41,528 | - |
| Amount due to a shareholder | (16b) | 740,000 | 740,000 |
| | | 809,600 | 766,828 |
| Net Current Liabilities | | (791,179) | (762,279) |
| NET LIABILITIES | | ( 81,614) | ( 38,715) |
| DEFICIT | | | |
| Share capital | | 10,000 | 10,000 |
| Accumulated losses | (16c) | ( 91,614) | ( 48,715) |
| TOTAL DEFICIT | | ( 81,614) | ( 38,715) |

APPROVED BY THE BOARD OF DIRECTORS ON AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Pallak SETH
Director

16. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

a. INTEREST IN A SUBSIDIARY

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Unlisted investment, at cost | 10,000 | 10,000 |
| Amount due from a subsidiary | 699,565 | 713,564 |
| | 709,565 | 723,564 |

Details of subsidiary are as follows:

| Name of subsidiary | Place of incorporation | Percentage of ownership and voting power | Nature of business |
|---|---|---|---|
| Digital Internet Technologies Limited | Hong Kong | 100% | Investment holding |

The amount due from a subsidiary is unsecured, interest-free and have no fixed terms of repayment. No provision for bad and doubtful debts has been made on the amounts due from a subsidiary. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

b. AMOUNTS DUE TO A SHAREHOLDER/RELATED COMPANIES

The amounts due to a shareholder/related companies are unsecured, interest-free and have no fixed terms of repayment. The shareholder/related companies agreed not to demand repayment of the amount due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

c. RESERVE

| | Accumulated losses | |
|---|---|---|
| | 2018 | 2017 |
| | USD | USD |
| At March 31, 2016 | (42,321) | - |
| Loss for the year and total comprehensive loss for the year | ( 6,394) | (42,321) |
| At March 31, 2017 | (48,715) | (42,321) |
| Loss for the year and total comprehensive loss for the year | (42,899) | ( 6,394) |
| At March 31, 2018 | (91,614) | (48,715) |

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirmation with current year's presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on

# REDWOOD INTERNET VENTURES LIMITED
## CONSOLIDATED DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

| | | 2018 | 2017 |
|---|---|---|---|
| | | USD | USD |
| REVENUE | | 7,660 | - |
| EXCHANGE GAIN, NET | | 2,966 | - |
| | | 10,626 | - |
| OPERATING EXPENSES | | | |
| Depreciation Expenses | | | |
| Depreciation | | 62,171 | 5,904 |
| Amortisation | | 3,254 | - |
| | | 65,425 | 5,904 |
| Other Operating Expenses | | | |
| Auditors' remuneration | | 3,408 | 4,220 |
| Bank charges | | 1,886 | 8,029 |
| Business registration fee | | 578 | 64 |
| Consulting fee | | 11,849 | 243 |
| Conveyance expense | | 764 | 3 |
| Corporate charges | | 39,600 | - |
| Courier charges | | 2 | - |
| Electricity expenses | | 698 | - |
| Exchange loss, net | | - | 799 |
| Gratuity expenses | | 4,360 | - |
| Impairment loss | | 90,246 | - |
| Legal and professional fee | | 2,361 | 2,888 |
| Management fee | | - | 39,600 |
| Miscellaneous expenses | | 5,095 | - |
| Printing and stationery | | 21 | 105 |
| Rates and taxes | | 3,151 | 5,720 |
| Recruitment expense | | 725 | - |
| Registration fee | | 1,693 | - |
| Rent | | 31,350 | - |
| Salary | | 290,381 | - |
| Share issue expenses | | - | 2,951 |
| Staff welfare | | 1,001 | - |
| Subscription charges | | - | 417 |
| Sundry expenses | | 6,170 | 914 |
| Telephone and internet expenses | | 2,793 | - |
| Travelling expenses | | 685 | - |
| | | 498,817 | 65,953 |
| | | 564,242 | 71,857 |
| LOSS BEFORE TAXATION | | (553,616) | (71,857) |

# REDWOOD INTERNET VENTURES LIMITED
## DETAILED INCOME STATEMENT
## FOR THE YEAR ENDED MARCH 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| REVENUE | - | - |
| EXCHANGE GAIN, NET | - | 101 |
| | - | 101 |
| OPERATING EXPENSES | | |
| Auditors' remuneration | 1,822 | 1,735 |
| Bank charges | 583 | 3,172 |
| Business registration fee | 289 | 32 |
| Consulting fee | - | 243 |
| Corporate charges | 39,600 | - |
| Legal and professional fee | 488 | 521 |
| Registration fee | - | 540 |
| Sundry expenses | 117 | 252 |
| | 42,899 | 6,495 |
| | 42,899 | 6,394 |
| LOSS BEFORE TAXATION | (42,899) | (6,394) |

File No.: 22/65561023

# REDWOOD INTERNET VENTURES LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT : 2017/2018

| | SCH 1 |
|---|---|
| | USD |
| Basis period: 1/4/2017 - 31/3/2018 | |
| Adjusted loss per audited financial statements | 42,899 |

The captioned loss is not claimed as the Company conducted no business during the concerned year of assessment.

| | SCH 2 |
|---|---|
| | USD |
| Louis Lai & Luk Corporate Services Limited | |
| - Secretarial service fee | 488 |
| | (ACCOUT) |

# REDWOOD INTERNET VENTURES LIMITED

## AUDIT ADJUSTMENTS

## FOR THE YEAR ENDED MARCH 31, 2018

| | | Dr. | Cr. | Effect on statement of profit or loss and other comprehensive income |
|---|---|---|---|---|
| | | USD | USD | USD |
| 1. | Legal and Professional fee | 488.00 | | |
| | Audit fee | | 488.00 | |
| | Being reallocation of accounts | | | |
| 2. | Amount due from a subsidiary | 4,364.00 | | |
| | Amount due from director | | 4,364.00 | |
| | Being reallocation of accounts | | | |
| 3. | Audit fee | 1,821.98 | | |
| | Accrued expenses | | 1,821.98 | (1,821.98) |
| | Being adjust for audit fee | | | |
| 4. | Amount due from a subsidiary | 3.00 | | |
| | Retained earnings | | 2.00 | 2.00 |
| | Sundry expenses | | 1.00 | 1.00 |
| | Being opening adjustment | | | |
| 5. | Share application money | 26,250.00 | | |
| | Other payable | | 26,250.00 | |
| | Being opening adjustment | | | |
| | Total effect on statement of profit or loss and other comprehensive income | | | ( 1,818.98) |
| | Retained earnings per client's financial statements | | | (89,795.00) |
| | Retained earnings per audited financial statements | | | (91,613.98) |

Approved by:
Digital Internet Technologies Limited

Director

# DIGITAL INTERNET TECHNOLOGIES LIMITED

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

**LOUIS LAI & LUK CPA LIMITED**
**CERTIFIED PUBLIC ACCOUNTANTS**

# DIGITAL INTERNET TECHNOLOGIES LIMITED

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# DIGITAL INTERNET TECHNOLOGIES LIMITED

## REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited financial statements of the Company for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year ended March 31, 2018 are set out in the statement of profit or loss and other comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of share capital of the Company are set out in Note (14) to the financial statements. There were no movements during the year.

There were no movements in reserves except for changes to accumulated losses which arose from profit or loss.

### INTANGIBLE ASSETS

Movements in intangible assets are set out in Note (12) to the financial statement.

### DIRECTORS

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

Pallak SETH
Deepak Kumar SETH
Arun CHANDRA MOHAN

In accordance with Article 20 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company 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 period or at any time during the year.

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors was in force during the year and up to the date of this report.

## BUSINESS REVIEW

The Company falls within reporting exemption for the financial period. Accordingly, the Company is exempted from preparing a business review for this financial year.

## AUDITORS

During the period, Messrs. Louis Lai & Luk CPA Limited has been appointed as the auditors of the Company. They now retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Deepak Kumar SETH
Chairman

Hong Kong, August 13, 2018.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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柯士甸道140至142號
瑞信集團大廈九樓

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DIGITAL INTERNET TECHNOLOGIES LIMITED

**(incorporated in Hong Kong with limited liability)**

## Opinion

We have audited the financial statements of Digital Internet Technologies Limited ("the Company") set out on pages 7 to 22, which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Fundamental Uncertainty Relating to the Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2d) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the ultimate holding company and the attaining of profitable and positive cash flow operations, and the Company may turn to a commercially viable concern. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

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**Information Other than the Financial Statements and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those Charged With Governance for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standard issued by Hong Kong Institute of Certified Public Accounts and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

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

Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, August 13, 2018.

# DIGITAL INTERNET TECHNOLOGIES LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | USD | USD |
| TURNOVER | (2o) | - | - |
| OTIIER INCOME AND GAIN | (6) | 2,966 | - |
| OTHER OPERATING EXPENSES | | (108,798) | (52,150) |
| LOSS BEFORE TAXATAION | | (105,832) | (52,150) |
| TAXATION | (9) | - | - |
| LOSS FOR THE YEAR | | (105,832) | (52,150) |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | (105,832) | (52,150) |

THE NOTES ON PAGES 11 TO 22 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# DIGITAL INTERNET TECHNOLOGIES LIMITED

## STATEMENT OF FINANCIAL POSITION

## AS AT MARCH 31, 2018

| | NOTES | 2018 | 2017 |
|---|---|---|---|
| | | USD | USD |
| Non-Current Assets | | | |
| Investment in a subsidiary | (10) | 652,365 | 297,665 |
| Investment in an associate | (11) | - | 90,246 |
| Intangible asset development | (12) | 387,167 | 390,421 |
| | | 1,039,532 | 778,332 |
| Current Assets | | | |
| Cash and cash equivalent | | 10,414 | 5,171 |
| Current Liabilities | | | |
| Amount due to immediate holding company | (13) | 699,565 | 713,564 |
| Amount due to a related company | (13) | 432,872 | 113,600 |
| Amount due to a director | (13) | 66,387 | - |
| Accrued expenses | | 1,329 | 714 |
| | | 1,200,153 | 827,878 |
| Net Current Liabilities | | (1,189,739) | (822,707) |
| NET LIABILITIES | | ( 150,207) | ( 44,375) |
| DEFICIT | | | |
| Share capital | (14) | 10,000 | 10,000 |
| Accumulated losses | | ( 160,207) | ( 54,375) |
| TOTAL DEFICIT | | ( 150,207) | ( 44,375) |

APPROVED BY THE BOARD OF DIRECTORS ON 13 AUG 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 22 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# DIGITAL INTERNET TECHNOLOGIES LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2018

| | Share Capital | Accumulated losses | Total |
|---|---|---|---|
| | USD | USD | USD |
| Issuance of share capital | 10,000 | ( 2,225) | 7,775 |
| Loss for the year and total comprehensive loss for the year | - | ( 52,150) | ( 52,150) |
| At March 31, 2017 | 10,000 | ( 54,375) | ( 44,375) |
| Loss for the year and total comprehensive loss for the year | - | (105,832) | (105,832) |
| At March 31, 2018 | 10,000 | (160,207) | (150,207) |

THE NOTES ON PAGES 11 TO 22 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# DIGITAL INTERNET TECHNOLOGIES LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2018

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | (105,832) | ( 52,150) |
| Adjustments for: | | |
| Amortisation of intangible assets | 3,254 | - |
| Impairment loss on investment in an associate | 90,246 | - |
| **OPERATING LOSS BEFORE WORKING CAPITAL CHANGES** | ( 12,332) | ( 52,150) |
| (Increase)/Decrease in investment in a subsidiary | (354,700) | 10,000 |
| Increase in amount due to a related company | 319,272 | 101,897 |
| Increase in accrued expenses | 615 | 200 |
| (Decrease)/Increase in amount due to immediate holding company | ( 13,999) | 713,561 |
| Increase in amount due to a director | 66,387 | - |
| Cash generated from operations and net cash generated from operating activities | 5,243 | 773,511 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Acquisition of a subsidiary | - | (297,665) |
| Acquisition of an associate | - | ( 90,246) |
| Acquisition of intangible asset under development | - | (390,421) |
| | - | (778,332) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 5,243 | ( 4,821) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 5,171 | 9,992 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 10,414 | 5,171 |

THE NOTES ON PAGES 11 TO 22 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# DIGITAL INTERNET TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Digital Internet Technologies Limited is a company in Hong Kong with limited liability. During the year, the Company has not conducted any business. The address of its registered office is 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the immediate holding company is Redwood Internet Ventures Limited, a company incorporated in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

As the Company is a wholly owned subsidiary of another body corporate at the end of the financial reporting period and has satisfied the criteria set out in section 379(3)(b) of the Hong Kong Companies Ordinance (Cap. 622), it is not required to prepare consolidated financial statements.

The financial statements have been prepared under the historical cost convention and are presented in United States Dollars ("USD"), which is also the Company's functional and presentation currency.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the financial statements.

b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no material impact on the Company financial statements for the year ended March 31, 2018.

c. Issued but not yet Effective Hong Kong Financial Reporting Standards

The Company has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended March 31, 2018, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Going Concern

The immediate holding company has confirmed its willingness to provide such financial assistance as is necessary to maintain the Company as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

e. Subsidiary

Subsidiary is the entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

In the Company's statement of financial position the investment in a subsidiary is stated at cost less provision for impairment losses. The results of subsidiary is accounted by the Company on the basis of dividend received and receivable.

f. Group Consolidation

No consolidated financial statements dealing with the state of affairs and profit and loss of the Company and its subsidiary have been prepared as required under Section 379(2) of the Hong Kong Companies Ordinance and HKFRS 10 "Consolidated Financial Statements". The directors consider that consolidation of the financial statements of the subsidiaries would involve expenses or delay out of proportion to the value to members of the Company. Instead, financial statements of the subsidiary are to be presented to the shareholders at the annual general meeting and the consolidation will be done in the immediate holding company level.

g. Associated Companies

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Company has a long term interest of generally not less than 20% and not more than 50% of the equity voting rights and over which it is in a position to exercise significant influence in its financial and operating policy decisions.

In accordance with exemption from using equity method stated in paragraph 17 of Hong Kong Accounting Standard 28 "Investments in Associates", the Company's investment in associates is not accounted for using equity method. In these financial statements, investment in associates are stated at cost less aggregate identified impairment loss, if any.

Returns in investments in associates, if any, are recognised in the statement of profit or loss and other comprehensive income when such returns are declared by associates.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

i. Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to statement of profit or loss and other comprehensive income on a straight-line basis over the assets' estimated useful lives when the intangible assets is available for use.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

j. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

k. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

l. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

m. Financial Liabilities

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's financial liabilities comprise trade and other payables and amount due to a fellow which are subsequently measured at amortized cost, using the effective interest method.

n. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

o. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

p. Translation of Foreign Currency

(i) 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 entity operates ("the functional currency"). The financial statements are presented in United States Dollars ("USD"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss and other comprehensive income.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable loss will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax loss nor the accounting loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.

r. Revenue Recognition

During the year, the Company has not conducted any business.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

s. Related Parties

A related party is a person or entity that is related to the Company.

(A) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Company or a parent of the Company.

(B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (A).
(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

t. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

(i) Market risk includes three types of risk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

(i) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
(ii) To support the Company's stability and growth; and
(iii) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4. FINANCIAL RISK MANAGEMENT

### (i) Financial instruments by category

The financial assets of the Company comprise trade and other receivable, deposits, amounts due from fellow subsidiaries and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statements of financial position or in the corresponding notes to the financial statements. The financial liabilities of the Company comprise trade and other payables, amounts due to fellow subsidiaries, immediate holding Company and a director, and secured bank borrowings which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

### (ii) Financial risk management

The Company's financial risks are limited by the financial management policies and practices described below.

#### (a) Credit risk

The Company has no significant concentrations of credit risk because it has no financial assets.

#### (b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. As the fellow subsidiary and shareholder have confirmed the willingness to provide continuous financial support to the Company, the directors are of the opinion that the Company is adequately protected from the liquidity risk.

#### (c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

## 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

6. OTHER INCOME AND GAIN

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Other income and gain recognised during the year are as follows: | | |
| Exchange gain, net | 2,966 | 900 |

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting):

| | | |
|---|---|---|
| Auditor's remuneration | 810 | 771 |
| Exchange gain, net | (2,966) | (900) |
| Impairment loss on investment in an associate | 90,246 | - |

8. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Emoluments: | | |
| Acting as directors | - | - |
| Provision for management services | - | - |
| Retirement benefits | - | - |
| | - | - |

8. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

(ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

| Name of borrower | Outstanding principal At beginning of year | At end of year | Maximum outstanding |
|---|---|---|---|
| | USD | USD | USD |
| Amount due from a subsidiary | | | |
| Digital Techno Econ Pvt Limited [1] | - | 354,700 | 354,700 |

[1] connected with Pallak SETH, Deepak Kumar SETH and Arun CHANDRA MOHAN.

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. No provision for bad and doubtful debts has been made on the amount due from a subsidiary. The nature of consideration to be provided for settlement is expected to be cash and cash equivalents.

Guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

In the opinion of the directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

(iii) Material interests of directors (including shadow directors) of the Company disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

9. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the income of the Company neither arises in nor is derived from Hong Kong.

No deferred tax has been recognised in the financial statements on the grounds that the Company has no taxable/deductible temporary differences during the current year.

10. INVESTMENT IN A SUBSIDIARY

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Unlisted shares, at cost | 652,365 | 297,665 |

Details of subsidiary are as follows:

| Name of subsidiary | Place of incorporation | Percentage of Ownership and voting power | | Nature of business |
|---|---|---|---|---|
| | | 2018 | 2017 | |
| Digital Techno Econ Pvt Limited | India | 100% | 100% | Designing, promotion and launch of home furnishing rental web portal |

The above company is not audited by Louis Lai & Luk CPA Limited.

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. No provision for bad and doubtful debts has been made on the amount due from a subsidiary. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

11. INVESTMENT IN AN ASSOCIATE

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Unlisted shares, at cost | 90,246 | 90,246 |
| Less: Impairment loss | (90,246) | - |
| | - | 90,246 |

Details of the associate are as follows:

| Name of associate | Place of incorporation | Effective interest held by the Group | | Nature of business |
|---|---|---|---|---|
| | | Directly | Indirectly | |
| Urban Joy E Service Private Limited | India | 22.5% | - | Designing, promotion and launch of home furnishing rental web portal |

12. INTANGIBLE ASSET DEVELOPMENT

| | Trademark |
|---|---|
| | US$ |
| Cost | |
| At 31/3/2017 and 31/3/2018 | 390,421 |
| Accumulated Amortisation | |
| At 31/3/2017 | - |
| Charge for the year | 3,254 |
| At 31/3/2018 | 3,254 |
| Net Carrying Amount | |
| At 31/3/2018 | 387,167 |
| At 31/3/2017 | 390,421 |

13. AMOUNT DUE TO HOLDING COMPANY/A RELATED COMPANY/A DIRECTOR

The amount due to holding company/a related company/a director is unsecured, interest-free and has no fixed terms of repayment. The related company and holding company agreed not to demand repayment of the amount due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

14. SHARE CAPITAL

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| | | USD | | USD |
| Ordinary shares, issued and fully paid: | | | | |
| At March 31 | 10,000 | 10,000 | 10,000 | 10,000 |

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

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on August 13, 2018.

# DIGITAL INTERNET TECHNOLOGIES LIMITED
## DETAILED INCOME STATEMENT
## FOR TIIE YEAR ENDED MARCII 31, 2018
## (FOR MANAGEMENT INFORMATION ONLY)

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| REVENUE | - | - |
| OTHER INCOME AND GAINS | | |
| Exchange gain, net | 2,966 | 900 |
| OPERATING EXPENSES | | |
| Amortisation Expenses | | |
| Amortisation of intangible asset | 3,254 | - |
| Other Operating Expenses | | |
| Auditors' remuneration | 810 | 771 |
| Bank charges | 619 | 4,179 |
| Business registration fee | 289 | 32 |
| Consultancy fee | 11,289 | - |
| Formation expenses | 2 | - |
| Impairment loss on investment in an associate | 90,246 | - |
| Legal and professional fee | 488 | 826 |
| Management fee | - | 39,600 |
| Registration fee | 1,693 | 5,180 |
| Sundry expenses | 108 | 662 |
| | 108,798 | 52,150 |
| LOSS BEFORE TAXATION | (105,832) | (52,150) |

**File No. 22/65813987**

# DIGITAL INTERNET TECHNOLOGIES LIMITED

## PROFITS TAX COMPUTATION

## YEAR OF ASSESSMENT: 2017/2018

**SCH 1**

| | USD |
|---|---|
| Basis period: 1/4/2017 - 31/3/2018 | |
| Loss per audited financial statements | 105,832 |
| Less: Impairment loss on investment in as associate | 90,246 |
| Adjust loss | 15,586 |

The loss would not be admitted as the Company has not generated and assessable income for the year.

## LEGAL AND PROFESSIONAL FEE

**SCH 2**

| | USD |
|---|---|
| Louis Lai & Luk Corporate Services Limited | |
| - Secretarial service fee | 488 |
| | (ACCOUNT) |

## CONSULTANCY FEE

**SCH 3**

| | | USD |
|---|---|---|
| Payee: | Ashutosh P Bhupatkar | |
| Address: | C11 Nikash Skies Someshwarwadi | |
| | Pashan Pune 411021 India | 1,733 |
| Payee: | Bang In The Middle PVT. Ltd. | |
| Address: | 3rd Floor, 431/Phase-III | |
| | Udyog Vihar, Gurgaon 122 016 | 9,357 |
| Payee: | Sonetel AB | |
| Address: | Box 647, 114 11 Stockhalm, Sweden | 200 |
| | | 11,289 |
| | | (ACCOUNT) |

S.R. DINODIA & Co. LLP
CHARTERED ACCOUNTANTS
K-39 Connaught Place, New Delhi-110001 INDIA
Ph. : +91-(0)11-4370 3300 Fax : +91-(0)11-4151 3666

## Independent Auditor's Report

To The Members of **Digital Ecom Techno Private Limited**

**Report on the Ind AS Financial Statements**
We have audited the accompanying Ind AS financial statements of **Digital Ecom Techno Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Ind AS Financial Statements**
The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued there under. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

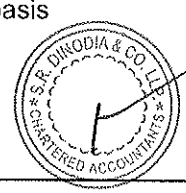
**Auditor's Responsibility**
Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit of the Separate Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on Ind AS financial statements.



**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at March 31, 2018 and its loss (including other comprehensive income), its cash flows and the changes in the equity for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules, to the extent applicable, issued there under.

   (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

   (f) As per the Company, in view of the MCA notification dated June 13, 2017, the Company is exempt from the requirements of clause (i) of section 143 (3) and therefore the report on adequacy and operating effectiveness of internal financial controls over financial reporting of the Company is not being made.

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. On the basis of written representations received from the management of the Company, the Company does not have any pending litigations which would impact its financial position;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*,
Firm Registration Number 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

Place of Signature: Gurugram
Date: 14 MAY 2018

## Annexure 'A' To the Independent Auditors' Report

The Annexure referred to in Independent Auditors' Report to the members of the Digital Ecom Techno Private Limited on the financial statements for the year ended March 31, 2018, we report that:

i) In respect of fixed assets:

a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified at periodic intervals. In accordance with this programme for the year, no material discrepancies were noticed on such verification. In our opinion, such periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

c) On the basis of written representation received from the management of the Company, there are no immovable properties held by the Company. Accordingly the provision of clause (c) of Paragraph 3(i) of the order, 2016 are not applicable to the company.

ii) The Company does not carry any inventory hence provisions of paragraph 3(ii) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

iii) (a) to (c) According to the information and explanation given to us, the Company had not granted loans, secured or unsecured, to any of the Companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore, the provisions of paragraph 3(iii) (a) to (c) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

iv) According to the information and explanation given to us, The Company has no loans, investments, guarantees, and security covered under the provisions of section 185 and 186 of the Companies Act, 2013.Therefore, the provisions of paragraph 3(iv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

v) In our opinion and according to the information and explanation given to us, since the Company has not accepted any deposits therefore the question of the compliance of any directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under does not arise.

vi) On the basis of available information and explanation provided to us, the Central Government has not prescribed maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 read with Companies (Cost Records and Audit) Amendment Rules, 2016 dated July 14, 2016 to the current operations carried out by the Company. Accordingly, the provisions of paragraph 3(vi) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

vii) (a) The Company is generally regular in depositing undisputed statutory dues including Income Tax, Goods and Service Tax, service tax, value added tax, cess and any other statutory dues, with appropriate authorities. The provision of Sales Tax, Provident Fund, Employee's State Insurance, duty of custom and duty of excise are not applicable to the Company. Further there were no undisputed outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable.

(b) According to the records of the Company examined by us and the information and explanations given to us, there were no dues of income tax or Goods and Service Tax or sales tax or service tax or value added tax, which have not been deposited on account of any dispute:

viii) On the basis of information and explanation provided to us, during the year Company has not taken any loans or borrowings from banks, financial institution, government and debenture holders. Accordingly, the provisions of paragraph 3(viii) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.



ix) The Company did not raise any money by the way of initial public or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of paragraph 3(ix) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit. Accordingly, the provisions of paragraph 3(x) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

xi) Company is a private limited company therefore provisions of section 197 read with Schedule V to the Companies Act, 2013 are not applicable to the Company. Accordingly, the provisions of paragraph 3(xi) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

xii) The Company is not a nidhi company hence the provisions of paragraph 3(xii) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

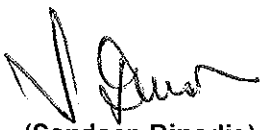
xiii) During the course of our examination of the books and records of the Company, all transactions entered with the related parties are in compliance with 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards. Further in pursuance of section 177, Company is not required to form audit committee and accordingly the provisions of Section 177 are not applicable

xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of paragraph 3(xiv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

xv) The Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, the provisions of paragraph 3(xv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of paragraph 3(xvi) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

**For S.R. Dinodia & Co. LLP**
*Chartered Accountants,*
Firm's Registration Number 001478N/N500005






**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

Place of Signature: Gurugram
Date: 14 MAY 2018

# Digital Ecom Techno Private Limited
## Balance Sheet As At March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| Particulars | Note No. | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| **I. Non-current assets** | | | |
| (a) Property, Plant and Equipment | 4 | 9.14 | 13.08 |
| (b) Other Intangible Assets | 5 | 137.74 | 4.12 |
| (c) Intangible Assets Under Development | 6 | - | 168.22 |
| (d) Financial Assets | | | |
| (i) Others | 7 | 9.45 | - |
| (e) Deferred Tax Assets (Net) | 24 | 78.09 | 2.15 |
| (f) Non Current Tax Asset (Net) | 8 | 0.20 | - |
| (g) Other Non Current Assets | 9 | 2.32 | - |
| **Total Non-Current Assets** | | **236.94** | **187.56** |
| **Current Assets** | | | |
| (a) Financial Assets | | | |
| (i) Trade Receivables | 10 | 2.75 | - |
| (ii) Cash and Cash Equivalents | 11 | 23.68 | 17.49 |
| (b) Other Current Assets | 9 | 4.17 | 0.16 |
| **Total Current Assets** | | **30.60** | **17.65** |
| **Total Assets** | | **267.54** | **205.21** |
| **II. Equity And Liabilities** | | | |
| **Equity** | | | |
| (a) Equity Share Capital | 12 | 415.04 | 200.06 |
| (b) Other Equity | | | |
| ' - Retained Earning | 13 | (187.80) | (2.82) |
| ' - Share Application Money Pending Allotment | 13 | 12.91 | - |
| **Total Equity** | | **240.15** | **197.24** |
| **Liabilities** | | | |
| **Non- Current Liabilities** | | | |
| (a) Provisions | 14 | 4.85 | 2.13 |
| **Total Non- Current Liabilities** | | **4.85** | **2.13** |
| **Current Liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Trade Payables | 15 | | |
| - Total outstanding dues to Micro and Small Enterprises | | - | - |
| - Total outstanding dues to parties other than Micro and Small Enterprises | | 18.81 | 2.73 |
| (b) Other Current Liabilities | 16 | 3.72 | 3.11 |
| (c) Provisions | 14 | 0.01 | 0.00 |
| **Total Current Liabilities** | | **22.54** | **5.84** |
| **Total Equity and Liabilities** | | **267.54** | **205.21** |
| Summary of Significant Accounting Policies | 3 | | |

The Accompanying Notes Form An Integral Part Of These Financial Statements

As per our Report of even date attached

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*
Firm's Registration Number: 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

***For & on behalf of Board of Directors of Digital Ecom Techno Private Limited***

**(Arun Chandra Mohan)**
*Director*
DIN 03387469

**(Deepak Seth)**
*Director*
DIN 00003021

Place of Signature: Gurugram
Date: 14 MAY 2018

# Digital Ecom Techno Private Limited
## Statement Of Profit And Loss For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| Particulars | | Note No. | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|---|---|
| I | Revenue From Operations | 17 | 4.37 | - |
| II | Other Income | 18 | 0.49 | - |
| III | **Total Income (I+II)** | | **4.86** | - |
| IV | **Expenses** | | | |
| | (a) Employee Benefits Expense | 19 | 190.86 | - |
| | (b) Depreciation and Amortization Expense | 20 | 40.07 | - |
| | (c) Other Expenses | 21 | 34.94 | 4.97 |
| | **Total Expenses** | | **265.87** | **4.97** |
| V | **Profit/ (loss) Before Exceptional Items and Tax (III-IV)** | | **(261.01)** | **(4.97)** |
| VI | **Exceptional Items** | | - | - |
| VII | **Profit/ (loss) Before Tax (V-VI)** | | **(261.01)** | **(4.97)** |
| VIII | **Tax Expense:** | 24 | | |
| | (a) Current tax | | - | - |
| | (b) Adjustment of Tax Relating to Earlier Periods | | - | - |
| | (c) Deferred Tax (Charge)/Release | | 75.97 | 2.15 |
| | **Total Tax Expense** | | **75.97** | **2.15** |
| IX | **Profit/(loss) for the Year (VII-VIII)** | | **(185.05)** | **(2.82)** |
| X | **Other Comprehensive Income** | 22 | | |
| (A) | (i) Items that will not be reclassified subsequently to profit or loss | | | |
| | (a) Re-measurement gains/ (losses) on defined benefit plans | | 0.09 | - |
| | (ii) Income tax on items that will not be reclassified subsequently to profit or loss | | (0.02) | - |
| (B) | (i) Items that will be reclassified subsequently to profit or loss | | - | - |
| | (ii) Income tax on items that will be reclassified subsequently to profit or loss | | - | - |
| | **Other comprehensive income for the year, net of tax** | | **0.07** | - |
| XI | **Total comprehensive income for the year, net of tax** | | **(184.98)** | **(2.82)** |
| XII | **Earnings per share: (Face value ₹ 10 per share)** | 23 | | |
| | 1) Basic (amount in ₹) | | (6.32) | (0.14) |
| | 2) Diluted (amount in ₹) | | (6.31) | (0.14) |
| Summary of Significant Accounting Policies | | 3 | | |

The Accompanying Notes Form An Integral Part Of These Financial Statements

As per our Report of even date attached

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*
Firm's Registration Number: 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

***For & on behalf of Board of Directors of***
***Digital Ecom Techno Private Limited***

**(Arun Chandra Mohan)**
*Director*
DIN 03387469

**(Deepak Seth)**
*Director*
DIN 00003021

Place of Signature: Gurugram
Date: 14 MAY 2018

# Digital Ecom Techno Private Limited

## Cash Flow Statement For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| Particulars | | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| **Profit Before Tax** | | (261.01) | (4.97) |
| **Adjustments for:** | | | |
| Depreciation and amortization | | 40.07 | - |
| **Operating Profit Before Working Capital Changes** | | **(220.95)** | **(4.97)** |
| **Movement In Working Capital:** | | | |
| Increase/(Decrease) in Trade Payables & Other Current Liabilities | | 16.70 | 5.84 |
| Increase/(Decrease) in Other Long Term Liabilities | | - | - |
| Increase/(Decrease) in Provisions | | 2.81 | 2.14 |
| (Increase)/Decrease in Trade Receivables | | (2.75) | - |
| (Increase)/Decrease in Financial Assets | | (9.45) | - |
| (Increase)/Decrease in Inventories | | - | - |
| (Increase)/Decrease in Other Current Assets and other bank balances | | (4.01) | (0.16) |
| (Increase)/Decrease in Other Non-Current Assets | | (2.32) | - |
| **Cash Generated From Operations** | | **(219.95)** | **2.84** |
| Direct Tax paid (Net of Refunds) | | (0.20) | - |
| **Net Cash Inflow From/(Used In) Operating Activities** | **( A )** | **(220.15)** | **2.84** |
| **Cash Flows From Investing Activities** | | | |
| Purchase of CWIP and Fixed Assets | | (1.54) | (185.41) |
| **Net Cash From/ (Used In) Investing Activities** | **( B )** | **(1.54)** | **(185.41)** |
| **Cash Flows From Financing Activities** | | | |
| Proceeds from Issue of Share Capital | | 227.88 | 200.06 |
| **Net cash inflow from/(used in) Financing Activities** | **( C )** | **227.88** | **200.06** |
| **Net Increase (Decrease) In Cash And Cash Equivalents** | **(A+B+C)** | **6.19** | **17.49** |
| Opening Balance of Cash and Cash Equivalents | | 17.49 | - |
| **Total Cash And Cash Equivalent (Note No. 11)** | | **23.68** | **17.49** |
| **Components Of Cash And Cash Equivalents** | | | |
| With banks - on current account and deposits with banks | | 23.68 | 17.49 |
| **Total Cash and Cash equivalent (Note No. 11)** | | **23.68** | **17.49** |

Summary of Significant Accounting Policies 3

The accompanying notes form an integral part of these financial statements

As per our Report of even date attached

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*
Firm's Registration Number: 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

***For & on behalf of Board of Directors of***
***Digital Ecom Techno Private Limited***

**(Arun Chandra Mohan)**
*Director*
DIN 03387469

**(Deepak Seth)**
*Director*
DIN 00003021

Place of Signature: Gurugram
Date: 14 MAY 2018

# Digital Ecom Techno Private Limited

## Statement Of Changes In Equity For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

**A. Equity Share Capital**

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Balance At The Beginning Of The Year | 200.06 | - |
| 'Increase On Account Of Issue Of Shares For Cash | 214.98 | 200.06 |
| Balance At The End Of The Year | **415.04** | **200.06** |

**B. Other Equity**

| | Other Equity | | | |
|---|---|---|---|---|
| | Retained earnings | Other Comprehensive Income | Share Application Money Pending Allotment | Total equity |
| **Balance as at June 17, 2016** | - | - | - | - |
| Net Income/ (Loss) for the year | (2.82) | - | - | **(2.82)** |
| Re-measurement of Defined Benefit Plan (Net of Tax) | - | - | - | - |
| **Total Comprehensive Income** | **(2.82)** | - | - | **(2.82)** |
| Share Application Money Pending Allotment | - | - | - | - |
| **Balance as at March 31, 2017** | **(2.82)** | - | - | **(2.82)** |

| | Other Equity | | | |
|---|---|---|---|---|
| | Retained earnings | Other Comprehensive Income | Share Application Money Pending Allotment | Total equity |
| **Balance as at April 01, 2017** | (2.82) | - | - | (2.82) |
| Net Income/ Loss for the year | (185.05) | - | - | (185.05) |
| Re-measurement of defined benefit plan (Net of Tax) | - | 0.07 | - | 0.07 |
| **Total Comprehensive Income** | **(187.87)** | **0.07** | - | **(187.80)** |
| Share Application Money Pending Allotment | - | - | 12.91 | 12.91 |
| **Balance as at March 31, 2018** | **(187.87)** | **0.07** | **12.91** | **(174.90)** |

Summary of Significant Accounting Policies 3

The Accompanying Notes Form An Integral Part Of These Financial Statements

As per our Report of even date attached

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*
Firm's Registration Number: 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

***For & on behalf of Board of Directors of Digital Ecom Techno Private Limited***

**(Arun Chandra Mohan)**
*Director*
DIN 03387469

**(Deepak Seth)**
*Director*
DIN 00003021

Place of Signature: Gurugram
Date: 14 MAY 2018

# Digital Ecom Techno Private Limited
## Notes To Financial Statements For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

**Note 1: Corporate Information**

Digital Ecom Techno Private Limited is a private limited company (hereinafter referred as 'the company') domiciled in India and has its registered office at 758 & 759, 2nd Floor, 19th main, Sector - 2, HSR Layout, Bangalore, Karnataka. The Company is engaged in the business of E-Commerce, selling, purchasing of goods or rendering online services both in India and in abroad.

The financial statements were authorized for issue by the Company's Board of Directors on May 14, 2018.

**Note 2:**

**Statement of Compliance:** The financial statements have been prepared as a going concern in accordance with Indian Accounting Standards (Ind AS) notified under the Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

Upto the year ended 31st March, 2017, the Company prepared the financial statements in accordance with the requirements of previous GAAP, which includes standards notified under the Companies (Accounting Standards) Rules, 2006 and other relevant provisions of the Act. These are the Company's first Ind AS financial statements. Since the Company has been incorporated on Seventeenth day of June 2016 under Companies Act, 2013 therefore, the date of transition to the Ind AS is June 17, 2016 instead of April 1, 2016, therefore opening Ind AS Balance Sheet as on date of Transition cannot be presented. Refer to Note 30 for the details of first-time adoption exemptions availed by the Company.

**Basis of Preparation and presentation:** The financial statements have been prepared on the historical cost convention on accrual basis except for certain financial instruments which are measured at fair value at the end of each reporting period, as explained in the accounting policies mentioned below. Historical cost is generally based on the fair value of the consideration given in exchange of goods or services.

The financial statements are presented in ₹ and all values are rounded to the nearest Lacs, upto two decimal places, except otherwise stated.

**Going Concern:** The board of directors have considered the financial position of the Company at 31st March 2018 and the projected cash flows and financial performance of the Company for at least twelve months from the date of approval of these financial statements as well as planned cost and cash improvement actions, and believe that the plan for sustained profitability remains on course.

The board of directors have taken actions to ensure that appropriate long-term cash resources are in place at the date of signing the accounts to fund the Company's operations.

**Note 3: Significant accounting policies**

a) **Significant accounting judgements, estimates and assumptions**

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amount of revenues and expenses for the years presented. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed at each balance sheet date. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods affected.

**Judgements:**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

**Revenue recognition and presentation**

The Company assesses its revenue arrangements against specific criteria, i.e. whether it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services, in order to determine if it is acting as a principal or as an agent. The Company has concluded that they operating on a principal to principal basis in all its revenue arrangements.

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction.

**Useful lives of property, plant and equipment & Intangible Assets**

The Company reviews the useful life, residual value and depreciation/amortisation method of property, plant & equipment and Intangible Assets at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

**Estimates and Assumptions:**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Income taxes**

The Company is subject to income tax laws as applicable in India. Significant judgment is required in determining provision for income taxes. 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 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.

**Recoverability of deferred taxes**

In assessing the recoverability of deferred tax assets, management considers whether it is probable that taxable profit will be available against which the losses can be utilised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment.

S.R. BRODIA & CO. LLP CHARTERED ACCOUNTANTS

**Defined benefit plans**

The present value of the gratuity are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

b) **Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

**Assets:**

An asset is treated as current when it is:

a) Expected to be realised or intended to be sold or consumed in normal operating cycle.
b) Held primarily for the purpose of trading
c) Expected to be realised within twelve months after the reporting period, or
d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

**Liabilities:**

A liability is current when:

(a) It is expected to be settled in normal operating cycle
(b) It is held primarily for the purpose of trading
(c) It is due to be settled within twelve months after the reporting period, or
(d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**Operating cycle:** All assets and liabilities have been classified as current or noncurrent according to the Company's operating cycle and other criteria set out in the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of assets and liabilities.

c) <u>Property, Plant and Equipment</u>

Property, plant and equipment and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct services, any other costs directly attributable to bringing the assets to its working condition for their intended use and cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss within other income.

**Subsequent costs:** The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item of property, plant and equipment, if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably with the carrying amount of the replaced part getting derecognised. The cost for day-to-day servicing of property, plant and equipment are recognised in statement of profit and loss as and when incurred.

**Decommissioning Costs :** The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

**Capital work in progress:** Capital work in progress comprises the cost of Property, Plant and Equipment that are not ready for their intended use at the reporting date.

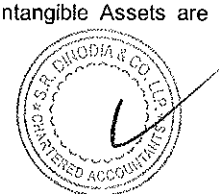
**Elimination:** Property, plant and equipments are eliminated from financial statements, either on disposal or when retired from active use. Losses/gains arising in case retirement/disposals of property, plant and equipment are recognized in the statement of profit and loss in the year of occurrence.

**Depreciation and useful lives :** Depreciation on Property Plant and Equipments is provided on the straight-line method over the useful lives of assets estimated by the management. Depreciation for assets purchased / sold during a period is proportionately charged to Statement of Profit & Loss. Leasehold improvements are amortised over the lease term or the useful life of the assets whichever is earlier

d) <u>Intangible Assets</u>

**Recognition and Measurement**

Intangible assets that are acquired by the Company are measured initially at cost. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any. All expenditures, qualifying as Intangible Assets are amortized over estimated useful life i.e. five years.



**Amortisation and Useful Lives:** Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. Amortisation is calculated over the cost of the asset, or other amount substituted for cost.

e) Borrowing costs

Borrowing costs consists of interest and amortization of ancillary costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

f) Foreign currencies

**Functional and presentational currency**

The Company's financial statements are presented in Indian Rupees (₹) which is also the Company's functional currency. Functional currency is the currency of the primary economic environment in which a Company operates and is normally the currency in which the Company primarily generates and expends cash.

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in statement of profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

g) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Revenue from sale of intangible software license is recognised on accrual basis and when all the significant risk and rewards of ownership have been passed to the buyer and is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

h) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All the lease other than Finance lease are classified as operating lease.

**Company as a lessee**

**Finance lease**

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease

**Operating lease**

A lease where risks and rewards incidental to ownership of an asset substantially vest with the lessor is classified as operating lease. Lease payments under operating leases are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

The Company has ascertained that the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases and therefore are not straight-lined. Hence, the lease payments are recognised on an accrual basis as per terms of the lease agreement.

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i) Employee's Benefits

**(i) Short Term Employee Benefits:** Short term employee benefits, including short term compensated absences, are recognised as an expense at an undiscounted amount in the Statement of Profit & Loss of the year in which the related service is rendered. Terminal Benefits are recognized as an expense immediately.

**(ii) Defined Benefit Plan :** The cost of providing defined benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefit become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

(iii) There are no benefits related to long term compensated absences.

j) Provisions

**General**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in the statement of profit and loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. The unwinding of discount is recognised in the statement of profit and loss as a finance cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

k) Financial instruments

A financial instrument is a contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

**(a) Financial Assets**

**Initial recognition and measurement**

A financial asset is initially recognised at fair value. In case of financial assets which are recognised at fair value through profit and loss (FVTPL), its transaction cost are recognised in the statement of profit and loss. In other cases, the transaction cost are attributed to the acquisition value of the financial asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial Asset carried at amortised cost
- Financial Asset at fair value through other comprehensive income (FVTOCI)
- Financial Asset at fair value through profit and loss (FVTPL)

**Financial Asset carried at Amortised Cost**

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial Asset at Fair Value through other Comprehensive Income (FVTOCI)**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial Asset at Fair Value through Profit and Loss (FVTPL)**

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

**De-recognition**

A financial asset (or, where applicable, a part of a financial asset) is primarily derecognised (i.e. removed from the Company's Balance Sheet) when:

(i) The contractual rights to receive cash flows from the asset has expired, or

(ii) The Company has transferred its contractual rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**(b) Financial Liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables etc.

**Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit and loss (FVTPL)

**Financial liabilities at Amortized cost**

**Loans and borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

**De-recognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**(c) Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously

**l) Impairment of financial assets**

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

Financial assets that are debt instruments, and are initially measured at fair value with subsequent measurement at amortised cost e.g., trade and other receivables, security deposits, loan to employees, etc.

The Company follows 'simplified approach' for recognition of impairment loss allowance for trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

ECL is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss.

**m) Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ('CGU') is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ('CGU').

An impairment loss is recognized, if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount and is recognised in statement of profit and loss.

Impairment losses recognised in prior periods are assessed at end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**n) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or

(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

o) Taxes

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income (OCI) or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets are offset against current tax liabilities if, and only if, a legally enforceable right exists to set off the recognised amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Deferred tax**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash balance on hand, cash balance at banks and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

q) Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to the shareholders of the Company by the weighted average number of equity shares outstanding as at the end of reporting period.

Diluted EPS amounts are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

r) Contingent Liabilities and Contingent Assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

s) Recent Accounting Pronouncement

**Standards issued but not yet effective**

a) Ind AS 115 was notified on 28 March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions of the Company. Ind AS 115 is effective for the Company in the first quarter of fiscal 2019 using either one of two methods: (i) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 115 (the full retrospective method); or (ii) retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (1 April 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

The Company continues to evaluate the available transition methods and its contractual arrangements. The ultimate impact on revenue resulting from the application of Ind AS 115 will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements and the mix of business. The Company's considerations also include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements. The Company has established an implementation team to implement Ind AS 115 related to the recognition of revenue from contracts with customers and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary.

b) Modifications on Ind AS 102, have been issued by MCA, however the standard is not applicable to the Company.

c) **Amendment to Ind AS 12 - Income Taxes:** The amendment to Ind AS 12 requires the entities to consider restriction in tax laws in sources of taxable profit against which entity may make deductions on reversal of deductible temporary difference (may or may not have arisen from same source) and also consider probable future taxable profit. The company is evaluating the requirements and its impact on the financial statements.

d) **Amendment to Ind AS 21 - Effect for changes in Exchange Rates:** The amendment to Ind AS 21 requires the entities to consider exchange rate on the date of initial recognition of advance consideration (asset/ liability), for recognising related expense/ income on the settlement of said asset/ liability. The Company is evaluating the requirements of the amendment and its impact on the financial statements.

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# Digital Ecom Techno Private Limited
## Notes To Financial Statements For The Year Ended March 31, 2018

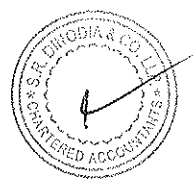
(Currency : ₹ in lacs, except otherwise specified)

**Note 4 : Property, Plant and Equipment**

| Particulars | Computers | Other Equipments | Total |
|---|---|---|---|
| **Gross Carrying Value** | | | |
| **Deemed Cost As At June 17, 2016** | - | - | - |
| Add: Additions made during the period | 16.41 | - | 16.41 |
| Less: Disposals/adjustments during the period | - | - | - |
| **Balance As at March 31, 2017** | **16.41** | **-** | **16.41** |
| Add: Additions made during the year | 1.45 | 0.09 | 2 |
| Less: Disposals/adjustments during the year | - | - | - |
| **Balance As at March 31, 2018** | **17.86** | **0.09** | **17.95** |
| **Depreciation and impairment** | | | |
| **Balance As at June 17, 2016** | - | - | - |
| Add: Depreciation charge for the period | 3.33 | - | 3.33 |
| Less: Disposals/adjustments during the period | - | - | - |
| **Balance As at March 31, 2017** | **3.33** | **-** | **3.33** |
| Add: Depreciation charge for the year | 5.47 | 0.01 | 5.47 |
| Less: Disposals/adjustments during the year | - | - | - |
| **Balance As at March 31, 2018** | **8.80** | **0.01** | **8.81** |
| **Net Carrying Amount** | | | |
| **As at March 31, 2018** | **9.06** | **0.08** | **9.14** |
| **As at March 31, 2017** | **13.08** | **-** | **13.08** |
| **As At June 17, 2016** | **-** | **-** | **-** |

Note: Since the Company has been incorporated on Seventeenth day of June 2016 under Companies Act, 2013 therefore, the date of transition to the Ind AS is June 17, 2016 and deemed cost as on date of transition is Nil.

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# Digital Ecom Techno Private Limited
## Notes To Financial Statements For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

**Note 5 : Other Intangible assets**

| Particulars | Other Intangible Assets | Computer Software | Total |
|---|---|---|---|
| **Gross Carrying Amount** | | | |
| **Deemed Cost As at June 17, 2016** | - | - | - |
| Add: Additions made during the period | - | 4.75 | 4.75 |
| Less: Disposals/adjustments during the period | - | - | - |
| **Balance as at March 31, 2017** | - | **4.75** | **4.75** |
| Add: Additions during the year | 168.22 | - | 168.22 |
| Less: Disposals / adjustments during the year | - | - | - |
| **Balance as at March 31, 2018** | **168.22** | **4.75** | **172.96** |
| **Amortisation and impairment** | | | |
| **Balance As at June 17, 2016** | - | - | - |
| Add: Depreciation charge for the period | - | 0.63 | 0.63 |
| Less: Disposals/adjustments during the period | - | - | - |
| **Balance As at March 31, 2017** | - | **0.63** | **0.63** |
| Add: Amortisation charge for the year | 33.64 | 0.95 | 34.59 |
| Less: On disposals / adjustments during the year | - | - | - |
| **Balance As at March 31, 2018** | **33.64** | 1.58 | **35.22** |
| **Net Carrying value** | | | |
| **Balance as at March 31, 2018** | **134.57** | **3.17** | **137.74** |
| **Balance as at March 31, 2017** | - | **4.12** | **4.12** |
| **As At June 17, 2016** | - | - | - |

Note: Since the Company has been incorporated on Seventeenth day of June 2016 under Companies Act, 2013 therefore, the date of transition to the Ind AS is June 17, 2016 and deemed cost as on date of transition is Nil.

| **Note 6 : Intangible assets Under Development** | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Intangible Assets Under Development | - | 168.22 |
| | - | 168.22 |

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# Digital Ecom Techno Private Limited
## Notes To Financial Statements For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| Note 7 : Non Current Financial Assets - Others | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Security Deposits (Unsecured, considered good) **(Refer Note 'a' below)** | 9.45 | |
| **Total (A)** | **9.45** | **-** |

a) Security deposits are not in the nature of loans hence classified as part of other financial assets.

| Note 8 : Non Current Tax Asset | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Advance Income Tax | 0.20 | - |
| (Net of provision of ₹ Nil (March 31, 2017 : ₹ Nil) | | |
| | **0.20** | **-** |

| Note 9 : Other Assets | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| (Unsecured, considered good, unless otherwise stated) | | |
| **Non- Current** | | |
| Deferred Payment Asset | 2.32 | - |
| **Total (A)** | **2.32** | **-** |
| **Current** | | |
| Balance with Government Authorities | 3.27 | - |
| Prepaid Expenses | 0.18 | 0.16 |
| Deferred Payment Asset | 0.72 | - |
| **Total (B)** | **4.17** | **0.16** |
| **Total (A+B)** | **6.48** | **0.16** |

| Note 10 : Trade Receivables | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Secured, Considered Good | 2.75 | - |
| Unsecured, Considered Good | - | - |
| Unsecured, Considered Doubtful | - | - |
| | 2.75 | - |
| Less: Provision for Loss Allowance | - | |
| | **2.75** | **-** |

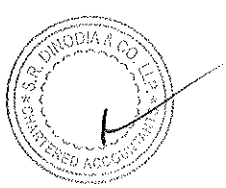
a) No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person.

b) Trade receivables due from related parties as at March 31, 2018 amounts to ` Nil lacs (March 31, 2017 : ₹ Nil lacs) .

c) Trade receivables are non interest bearing and are generally on terms of not more than 30 days.

d) Company has been incorporated on June 17, 2016 and has not applied lifetime expected credit loss model for the purpose of making provisions for impairment in case of trade receivables.

e) For credit risk refer Note. 30



| Note 11 : Cash and Cash Equivalents | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Balances with banks: | | |
| - Current account | 23.68 | 17.49 |
| Cash on hand | - | - |
| Less: Bank Overdraft | - | - |
| | **23.68** | **17.49** |

a) For the purpose of the statement of cash flow, cash and cash equivalents comprise of the following:

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Balances with banks: | | |
| - Current account | 23.68 | 17.49 |
| Cash on hand | - | - |
| Less: Bank Overdraft | - | - |
| | **23.68** | **17.49** |

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S.R. BATLIBOI & CO. LLP CHARTERED ACCOUNTANTS

# Digital Ecom Techno Private Limited
## Notes To Financial Statements For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| Note 12 : Share Capital | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| **Authorised Share Capital** | | |
| 5,000,000 (March 31, 2017 : 3,000,000) | 500.00 | 300.0 |
| **Issued, Subscribed And Paid Up** | | |
| 4,150,373 (March 31, 2017 : 2,000,613) | 415.04 | 200.06 |
| | **415.04** | **200.06** |

* No. of Shares are reported in absolute numbers

**a) Reconciliation of Authorised, Issued and Subscribed Share Capital:**

| i. Reconciliation of Authorised Share Capital as at year end : | No. of shares* | Amount |
|---|---|---|
| **Balance as at June 17, 2016** | | |
| Changes during the period | 3,000,000 | 300.00 |
| **Balance as at March 31, 2017** | **3,000,000** | **300.00** |
| Changes during the year | 2,000,000 | 200.00 |
| **Balance as at March 31, 2018** | **5,000,000** | **500.00** |

* No. of Shares are reported in absolute numbers

**ii. Reconciliation of Issued and Subscribed Share Capital as at year end :**

| | No. of shares* | Amount |
|---|---|---|
| **Balance As At June 17, 2016** | - | |
| Equity Shares Issued for Cash | 2,000,613 | 200.06 |
| **Balance As At March 31, 2017** | **2,000,613** | **200.06** |
| Equity shares issued for cash | 2,149,760 | 214.98 |
| **Balance As At March 31, 2018** | **4,150,373** | **415.04** |

* No. of Shares are reported in absolute numbers

**b) Terms/ rights attached to equity shares:**

The company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. No dividend is proposed by the Board of Directors. During the year ended March 31, 2018, the amount of per share dividend recognized as distributions to equity shareholders was ₹ Nil per share (March 31, 2017: ₹ Nil per share). In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c) Details of shareholders holding more than 5% shares in the company**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | No. of Shares* | Holiding % | No. of Shares | Holiding % |
| Digital Internet Technologies Limited | 4,150,369 | 100.00 | 2,000,611 | 100.00 |
| Mr. Deepak Seth** | 1 | 0.00 | 1 | 0.00 |
| Mr. Chayan Mukhopadhyay** | 1 | 0.00 | 1 | 0.00 |

* No. of Shares are reported in absolute numbers

** 2 equity shares held by these shareholders as nominee on behalf of Digital Internet Technologies Private Limited.

S.R. DHODIA & CO. LLP CHARTERED ACCOUNTANTS

(Currency : ₹ in lacs, except otherwise specified)

### Note 13 : Other Equity

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Retained Earnings | (187.80) | (2.82) |
| Share Application Money Pending Allotment | 12.91 | - |
| | **(174.90)** | **(2.82)** |

### Retained Earnings

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Balance at the beginning of the year | (2.82) | - |
| Add: Profit/Loss for the year | (185.05) | (2.82) |
| Add: Other Comprehensive Income during the year | 0.07 | - |
| Balance as the end of the year | **(187.80)** | **(2.82)** |

**Nature and Purpose of Reserve**

**Retained Earnings:** Retained Earning are the profits that the company has earned till date, less any transfer to general reserve, dividend or other distributions, if any, paid to shareholders.

### Share Capital Pending Allotment

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Amount pending for allotment at the beginning of the year | - | - |
| Add : Share application money received during the year | 12.91 | - |
| Balance as at the end of the year | **12.91** | **-** |

**Events Occuring After The Reporting Date**

a) The Company has received share application money from its Holding Company of ₹ 12.91 million which is pending for allotment as at March 31, 2018. The allotment has been made subsequently on April 27, 2018.

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S.R. BINODIA & CO. LLP CHARTERED ACCOUNTANTS

| Note 14 : Provisions | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| **Non- Current** | | |
| **Provision for Employee Benefits** | | |
| Provision for Gratuity **(Refer Note 25)** | 4.85 | 2.13 |
| **Total (A)** | **4.85** | **2.13** |
| **Current** | | |
| **Provision for Employee Benefits** | | |
| Provision for Gratuity **(Refer Note 25)*** | 0.01 | 0.00 |
| **Total (B)** | **0.01** | **0.00** |
| **Total (A+B)** | **4.86** | **2.13** |

* Represents ` 383 as at March 31, 2017.

| Note 15 : Trade payable | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| - Outstanding dues to Micro and Small Enterprises (Refer Note 'c' | - | - |
| - Outstanding dues to parties other than Micro and Small Enterprises (Refer Note 'a' & 'b' below) | 18.81 | 2.73 |
| | **18.81** | **2.73** |

a) Trade payables are non-interest bearing and are normally settled on 90 days terms

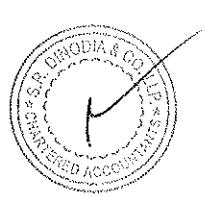
b) Trade payables to related parties amounts to ₹ 2.91 Lacs as at March 31, 2018 (March 31, 2017 : ₹ Nil lacs)

(c) As per Schedule III of the Companies Act, 2013 and notification number GSR 719 (E) dated November 16, 2007 & as certified by the management, the amount due to Micro, small & medium enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2006 is as under:

| | | |
|---|---|---|
| -The amount of interest paid by the Company as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) | - | - |
| -The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year | - | - |
| -The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006. | - | - |
| -The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| -The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006. | - | - |

| Note 16 : Other Current Liabilities | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Statutory dues | 2.06 | 3.11 |
| Advance from Customers | 1.67 | - |
| | **3.72** | **3.11** |

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# Digital Ecom Techno Private Limited
## Notes To Financial Statements For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| Note 17 : Revenue From Operations | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|
| Sale of Services | 4.37 | |
| **Revenue from operations** | **4.37** | **-** |

| Note 18 : Other Income | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|
| Unwinding of discount on Security Deposits | 0.49 | - |
| | **0.49** | **-** |

| Note 19 : Employee Benefits Expense | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|
| Salaries, Wages & Bonus | 187.14 | - |
| Gratuity Expense **(Refer Note 25)** | 2.81 | - |
| Staff Welfare Expenses | 0.91 | - |
| | **190.86** | **-** |

| Note 20 : Depreciation and Amortization Expense | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|
| Depreciation of Property, Plant & Equipment | 5.47 | - |
| Amortization of Intangible assets | 34.59 | - |
| | **40.07** | **-** |

| Note 21 : Other Expenses | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|
| Management and Consultancy Expenses | 0.36 | 1.03 |
| Legal and professional | 0.89 | - |
| Power & fuel | 3.91 | - |
| Rent | 20.20 | - |
| Rates and taxes | 0.33 | - |
| Repair & Maintenance | | |
| - Computer Equipment | 0.37 | - |
| - Others | 1.75 | - |
| Travelling and conveyance | 0.67 | 0.00 |
| Training and recruitment expenses | 0.47 | - |
| Auditor's remuneration **(Refer Note 'a' below)** | 0.50 | 1.15 |
| Share Issue Expenses | 1.70 | 1.98 |
| Communication costs | 1.80 | - |
| Printing & Stationery expenses | 0.01 | 0.07 |
| Miscellaneous Expenses | 1.97 | 0.73 |
| **Total** | **34.94** | **4.97** |



**a) Details of payment made to auditors is as follows:**

| Payment to auditors | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|
| **As auditor:** | | |
| - Statutory audit fee | 0.50 | 0.50 |
| - Other Services | - | 0.50 |
| - Service Tax | - | 0.15 |
| | **0.50** | **1.15** |

**b) Operating Lease**

Office premises taken by the company during the period ended March 31, 2017 has been vacated on June 14, 2017. During the current year Rent expense w.r.t the premises vacated amounting to ₹ 2.58 lacs has been charged to the statement of profit and loss. For the period ending March 31, 2017, rental expense of ₹ 8.74 lacs has been capitalised toward the cost of developing an intangible asset. W.e.f June 15, 2017 Company has taken a premise on rent on non-cancellable operating leases. The lease is for five years after which it is at the sole discretion of the company to extend the lease term for further periods. Lease rentals amounting to ₹ 17.62 lacs, has been charged as expense under the head 'Rent' in the Statement of Profit & Loss.

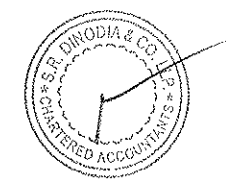
| ii) Future Minimum Lease Payable under Non-Cancellable Operating Lease is as Follows: | For the year ended March 31, 2018 | For the period ended March 31, 2017 |
|---|---|---|
| Within one year | 19.21 | 2.58 |
| After 1 year but not more than 5 years | 67.55 | - |
| More than 5 years | - | - |
| | **86.76** | **2.58** |

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| Note 22 : Components of Other Comprehensive Income | For the year ended March 31, 2018 | For the Period ended March 31, 2017 |
|---|---|---|
| Re-measurement gains/ (losses) on defined benefit plans | 0.09 | (2.31) |
| Income tax expense | (0.02) | |
| | **0.07** | **(2.31)** |

| Note 23 : Earnings per share (EPS) | For the year ended March 31, 2018 | For the Period ended March 31, 2017 |
|---|---|---|
| Profit attributable to the equity holders of the parent | (185.05) | (2.82) |
| Weighted average number of equity shares for Basic EPS | 2,929,543 | 2,000,613 |
| Weighted average number of equity shares for Diluted EPS | 2,930,957 | - |
| **Basic Earnings per Share(in ₹) (face value ₹ 10 per share)** | **(6.32)** | **(0.14)** |
| **Diluted Earnings per Share(in ₹) (face value ₹ 10 per share)** | **(6.31)** | **(0.14)** |




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**Note 24: Income Tax**

The major components of income tax expense for the year ended March 31, 2018 and March 31, 2017 are:

**Statement of profit and loss:**
**Profit or loss section**

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| *Tax Expense:* | | |
| a) Current tax | - | - |
| b) Adjustments in respect of current income tax of previous year | - | - |
| c) Deferred tax | (75.97) | (2.15) |
| **Income tax expense reported in the statement of profit or loss** | **(75.97)** | **(2.15)** |

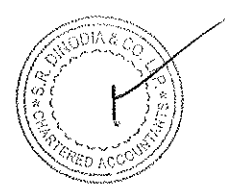
**OCI section**
***Deferred tax related to items recognised in OCI during the year:***

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Net loss/(gain) on remeasurements of defined benefit plans | 0.02 | - |
| **Net amount charged to OCI** | **0.02** | **-** |

**Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2018 and March 31, 2017.**

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Accounting profit before tax from continuing operations | (261.01) | (4.97) |
| **Accounting profit before income tax** | **(261.01)** | **(4.97)** |
| At India's statutory income tax rate of 30.90% (March 31, 2017: 30.90%) | (80.66) | (1.54) |
| **Non-deductible expenses for tax purposes:** | | |
| Gratuity | (0.68) | - |
| Share Issue Expenses | 0.53 | (0.61) |
| On Brought Forward Losses | 4.85 | - |
| At the effective income tax rate | (75.97) | (2.15) |
| Income tax expense reported in the statement of profit and loss | (75.97) | (2.15) |
| Difference | 0.00 | 0.00 |

| **Deferred tax:** | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| **Deferred tax assets relates to the following:** | | |
| Provision for employee benefits | 1.53 | - |
| Prepayments - Ind AS Adjustments | 0.02 | - |
| Unabsorbed losses and Depreciation | 81.08 | 4.85 |
| | **82.63** | **4.85** |
| **Deferred tax liability relates to the following:** | | |
| Property, plant and equipment | 4.54 | 2.70 |
| | **4.54** | **2.70** |
| **Total deferred tax assets/(liabilities) (Net)** | **78.09** | **2.15** |



| Deferred tax expense/income: | Statement of profit and loss | |
|---|---|---|
| | As At March 31, 2018 | As At March 31, 2017 |
| **Deferred tax assets relates to the following :** | | |
| Provision for employee benefits | 1.53 | - |
| Lease equalisation reserve | | |
| Prepayments | 0.02 | - |
| Unabsorbed losses and Depreciation | 76.23 | 4.85 |
| | 77.78 | 4.85 |
| **Deferred tax liability relates to the following :** | | |
| Property, plant and equipment | 1.84 | 2.70 |
| Other | | |
| | 1.84 | 2.70 |
| **Net deferred tax charge** | (75.95) | (2.15) |
| Recognised in statement of profit and loss | (75.97) | (2.15) |
| Recognised in other comprehensive income | 0.02 | - |

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

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### Note 25 : Gratuity And Other Post-Employment Benefit Plans

**a) Defined benefit plans**

In accordance with Ind AS 19 "Employee benefits", an actuarial valuation on the basis of "Projected Unit Credit Method" was carried out, through which the Company is able to determine the present value of obligations. "Projected Unit Credit Method" recognizes each period of service as giving rise to additional unit of employees benefit entitlement and measures each unit separately to built up the final obligation.

**i) Gratuity scheme**

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age.

a) The following tables summarize the components of net benefit expense recognised in the Statement of profit and loss and amounts recognised in the balance sheet for the defined benefit plan (viz. gratuity).These have been provided on accrual basis, based on year end actuarial valuation.

| | | As At March 31, 2018 Gratuity (Unfunded) | As At March 31, 2017 Gratuity (Unfunded) |
|---|---|---|---|
| **Change in benefit obligation** | | | |
| 1 | Opening defined benefit obligation | 2.14 | - |
| 2 | Acquisition Adjustment | - | - |
| 3 | Add: Interest cost | 0.16 | - |
| 4 | Add: Current service cost | 2.65 | 2.14 |
| 5 | Add: Past Service cost | - | - |
| 6 | Less: Benefits paid | - | - |
| 7 | Add: Actuarial (gain) / loss | (0.09) | - |
| **Present value of obligation as at the end of the year** | | **4.86** | **2.14** |

**b) The following tables summarise the components of net benefit expense recognised in the Statement of profit or loss and amounts recognised in the balance sheet for the respective plans:**

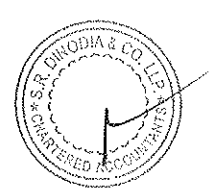
| | | For the year ended March 31, 2018 Gratuity (Unfunded) | For the period ending March 31, 2017 Gratuity (Unfunded) |
|---|---|---|---|
| **Cost for the year included under employee benefit** | | | |
| Add: | Current service cost | 2.65 | 2.14 |
| Add: | Past service cost | - | - |
| Add: | Interest cost | 0.16 | - |
| Less: | Return on plan assets | - | - |
| Add: | Actuarial (gain) / loss | - | - |
| | **Net cost** | **2.81** | **2.14** |

**c) Expected Annual Contribution for next annual reporting period**

| | March 31, 2018 Gratuity (Unfunded) |
|---|---|
| Service Cost | 3.36 |
| Net Interest Cost | 0.37 |
| | **3.73** |

**d) Detail of actuarial gain/loss recognised in OCI is as follows:**

| | | For the year ended March 31, 2018 Gratuity (Unfunded) | For the period ending March 31, 2017 Gratuity (Unfunded) |
|---|---|---|---|
| 1 | Actuarial gain / (loss) for the year – obligation | 0.09 | - |
| 2 | Actuarial gain / (loss) for the year - plan assets | - | - |
| 3 | **Total gain / (loss) for the year** | **0.09** | - |
| 4 | Actuarial gain / (loss) recognised in the year | 0.09 | - |
| 5 | Unrecognised actuarial gains / (losses) at the end of year | | |



| e) Principal actuarial assumptions at the balance sheet date are : | | For the year ended March 31. 2018 Gratuity (Unfunded) | For the period ending March 31. 2017 Gratuity (Unfunded) |
|---|---|---|---|
| **Economic assumptions** | | | |
| 1 | Discount rate | 7.36% | 7.71% |
| 2 | Rate of increase in compensation levels | 5.50% | 5.50% |
| **Demographic assumptions** | | | |
| 1 | Expected average remaining working lives of employees (years) | | |
| 2 | Retirement Age (years) | 58 | 58 |
| 3 | Mortality Rate | Indian Assured Lives Mortality (2006-08) (modified) ultimate | |
| **Withdrawal Rate** | | | |
| 1 | Ages up to 30 Years | 3.00% | 3.00% |
| 2 | Ages from 30-44 | 2.00% | 2.00% |
| 3 | Above 44 years | 1.00% | 1.00% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

| f) Net (assets) / liabilities recognized in the Balance Sheet and experience adjustments on actuarial gain / (loss) for benefit obligation and plan assets. | As At March 31, 2018 Gratuity (Unfunded) | As At March 31, 2017 Gratuity (Unfunded) |
|---|---|---|
| Present value of obligation | 4.86 | 2.14 |
| Less: Fair value of plan assets | - | - |
| Net (assets) / liability | **4.86** | **2.14** |

| g) A quantitative sensitivity analysis for significant assumption as is as shown below: | For the year ended March 31, 2018 Gratuity (Unfunded) | For the period ending March 31, 2017 Gratuity (Unfunded) |
|---|---|---|
| **A. Discount rate** | | |
| Effect on DBO due to 0.50% increase in Discount Rate | (0.44) | (0.20) |
| Effect on DBO due to 0.50% decrease in Discount Rate | 0.49 | 0.23 |
| **B. Salary escalation rate** | | |
| Effect on DBO due to 0.50% increase in Salary Escalation Rate | 0.50 | 0.23 |
| Effect on DBO due to 0.50% decrease in Salary Escalation Rate | (0.45) | (0.21) |

*Note: As certified by the actuary, sensitivities due to mortality and Withdrawals are not material & hence impact of the change due to these not calculated.*

| h) Maturity profile of defined benefit obligation is as follows: | As At March 31, 2018 Gratuity (Unfunded) | As At March 31, 2017 Gratuity (Unfunded) |
|---|---|---|
| 1 year | 0.01 | 0.00 |
| 2 to 6 years | 0.30 | 0.13 |
| Above 6 years | 4.55 | 2.00 |

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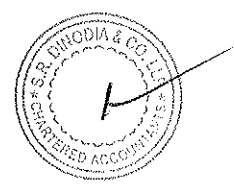
### Note 26: Capital management

For the purpose of Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, trade and other payables, less cash and cash equivalents.

| | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|
| Trade payables **(Refer Note 15)** | 18.81 | 2.73 |
| Other payables **(Refer Note 16)** | 3.72 | 3.11 |
| Provisions **(Refer Note 14)** | 4.86 | 2.13 |
| Less: Cash and Cash equivalents **(Refer Note 11)** | (23.68) | (17.49) |
| **Net debt** | **3.71** | **(9.53)** |
| Equity share capital **(Refer Note 12)** | 415.04 | 200.06 |
| Retained Earning **(Refer Note 13)** | (187.80) | (2.82) |
| Share Application Money Pending Allotment **(Refer Note 13)** | 12.91 | - |
| **Total Capital** | **240.14** | **197.24** |
| Capital and Net Debt | **243.85** | **187.71** |
| **Gearing ratio** | **1.52%** | **-5.08%** |

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2018 and March 31, 2017.




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**Note 27 : Fair values**

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

a) **Fair value of financial assets**

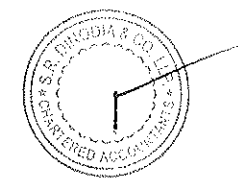
| | Carrying values | | Fair values | |
|---|---|---|---|---|
| | As At March 31, 2018 | As At March 31, 2017 | As At March 31, 2018 | As At March 31, 2017 |
| **Financial Assets Measured At Amortised Cost** | | | | |
| Security deposits **(Refer Note 7)** | 9.45 | - | 9.45 | - |
| Trade receivable **(Refer Note 10)** | 2.75 | - | 2.75 | - |
| Cash and cash equivalents **(Refer Note 11)** | 23.68 | 17.49 | 23.68 | 17.49 |
| | **35.88** | **17.49** | **35.88** | **17.49** |

b) **Fair value of financial liabilities:**

| | Carrying values | | Fair values | |
|---|---|---|---|---|
| | As At March 31, 2018 | As At March 31, 2017 | As At March 31, 2018 | As At March 31, 2017 |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables **(Refer Note 15)** | 18.81 | 2.73 | 18.81 | 2.73 |
| | **18.81** | **2.73** | **18.81** | **2.73** |

Management has assessed that trade receivables, cash and cash equivalents, other bank balances, trade payables, Security Deposits approximate their carrying amounts largely due to the short-term maturities of these instruments.

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**Note 28 : Fair hierarchy**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that has a significant effect on the fair value measurement are observable, either directly or indirectly.
Level 3: Valuation techniques for which the lowest level input which has a significant effect on the fair value measurement is not based on observable market data.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities

**a) Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2018:**

| | As At March 31, 2018 | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | |
| Security deposits **(Refer Note 7)*** | 9.45 | - | - | - | - |
| Trade receivable **(Refer Note 10)*** | 2.75 | - | - | - | - |
| Cash and cash equivalents **(Refer Note 11)*** | 23.68 | - | - | - | - |
| **Total** | **35.88** | **-** | **-** | **-** | **-** |

**b) Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2018:**

| | As At March 31, 2018 | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|---|
| **Financial liabilities measured at amortised cost** | | | | | |
| Trade payables **(Refer Note 15)*** | 18.81 | - | - | - | - |
| | **18.81** | **-** | **-** | **-** | **-** |

**c) Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2017:**

| | As At March 31, 2017 | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | |
| Cash and cash equivalents **(Refer Note 11)*** | 17.49 | - | - | - | - |
| **Total B** | **17.49** | **-** | **-** | **-** | **-** |

**d) Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2017:**

| | As At March 31, 2017 | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|---|
| **Financial liabilities measured at amortised cost** | | | | | |
| Trade payables **(Refer Note 15)*** | 2.73 | - | - | | - |
| | **2.73** | **-** | **-** | **-** | **-** |

*Management has assessed that trade receivables, cash and cash equivalents, other bank balances, trade payables, Security Deposits approximate their carrying amounts largely due to the short-term maturities of these instruments.
There have been no transfers between Level 1 and Level 2 during the period.

**Note 29: Financial risk management objectives and policies**

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations.

The Company's principal financial assets includes Security Deposits, Trade Receivables, Cash and Cash equivalents, Other Bank Balances.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's senior level management of these risks and is supported by Treasury department that advises on the appropriate financial risk governance framework.

**A. Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk are borrowings, short term deposits and derivative financial instruments.

**i) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates. Since there are no borrowings, company does not carry any interest risk.

**ii) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in exchange rates. Since there is no foreign currency exposure as at March 31, 2018, Company does not carry any foreign Currency Risk

**B. Credit Risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

**i) Trade Receivables**

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored.

The ageing analysis of trade receivables as of the reporting date is as follows:

An impairment analysis is performed at each reporting date on an individual basis for major clients. The calculation is based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 27. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

| Particulars | Neither past due nor impaired | Less than 30 days | 30 to 90 days | 90 to 180 days | More than 180 days | Total |
|---|---|---|---|---|---|---|
| Trade Receivables as at June 17, 2016 | - | - | - | - | - | - |
| Trade Receivables as at March 31, 2017 | - | - | - | - | - | - |
| Trade Receivables as at March 31, 2018 | - | 1.02 | 0.84 | 0.46 | 0.43 | 2.75 |

**C. Liquidity risk**

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses.

The Company's objective is to, maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing.

**The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.**

| As at March 31, 2018 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Trade Payables | - | 18.81 | - | - | - | 18.81 |
| **Total** | **-** | **18.81** | **-** | **-** | **-** | **18.81** |

| As at March 31, 2017 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Trade payables | - | 2.73 | - | - | - | 2.73 |
| **Total** | **-** | **2.73** | **-** | **-** | **-** | **2.73** |

| As at June 17, 2016 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Trade payables | - | - | - | - | | - |
| **Total** | **-** | **-** | **-** | **-** | | **-** |

S.K. BIRODIA & CO. CHARTERED ACCOUNTANTS

# Digital Ecom Techno Private Limited
## Notes to Financial Statements For The Year Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

**Note 30 : First Time Adoption of Ind AS**

These are the Company first financial statements in accordance with Ind AS. For periods up to and including the year ended March 31, 2017, the Company prepared its financial statements in accordance with Indian GAAP, including accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended).

The accounting policies set out in Note 1 & 2 have been applied in preparing the financial statements for the year ended March 31, 2018, the comparative information presented in these financial statements for the year ended March 31, 2017. According to Ind AS 101, the first Ind AS financial statements must use recognition and measurement principles that are based on standards and interpretations that are effective at March 31, 2018, the date of first-time preparation of financial statements according to Ind AS. These accounting principles and measurement principles must be applied retrospectively to the date of transition to Ind AS and for all periods presented within the first Ind AS financial statements.

An explanation of how the transition from Indian GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

**a) Exemptions applied**

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

A. Optional Exemption from Retrospective Application: Since the Company has been incorporated on June 17, 2016, therefore the Company does not have any optional exemption from retrospective application.

**B. Mandatory Exemptions**

The Company has applied the following exemptions to the retrospective application of Ind AS as mandatorily required under Ind AS 101: -

**(i) Estimates**

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

**(ii) Classification and Measurement of Financial Assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

**Reconciliations Between Previous GAAP and Ind AS**

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

**Reconciliation of Equity as at March 31, 2017**

| Particulars | Foot Notes | As At March 31, 2017 | | |
|---|---|---|---|---|
| | | Indian GAAP | Ind AS Adjustments | Ind AS |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, Plant and Equipment | | 13.08 | - | 13.08 |
| Intangible Assets | | 4.12 | - | 4.12 |
| Financial Assets | | | | |
| (ii) Others | | - | - | - |
| Deferred Tax Assets (Net) | | 2.15 | - | 2.15 |
| Other Non-Current Assets | | - | - | - |
| **Total Non Current Assets** | | **19.34** | **-** | **19.34** |
| **Current Assets** | | | | |
| Inventories | | - | - | - |
| Financial Assets | | | | |
| (i)Trade Receivables | | - | - | - |
| (ii) Cash and Cash Equivalents | | 17.49 | - | 17.49 |
| (ii) Other Bank Balances | | - | | - |
| (iv) Others | | - | - | - |
| Current Tax Assets (Net) | | - | - | - |
| Other Current Assets | | 0.16 | - | 0.16 |
| **Total Current Assets** | | **17.65** | **-** | **17.65** |
| | | | | |
| **Total Assets** | | **37.00** | **-** | **37.00** |
| **Equity and Liabilities** | | | | |
| **Equity** | | | | |
| Equity Share Capital | | 200.06 | - | 200.06 |
| Other Equity | | (2.82) | - | (2.82) |
| **Total Equity** | | **197.24** | **-** | **197.24** |

# Digital Ecom Techno Private Limited

## Notes to Financial Statements For The Year Ended March 31, 2018

(Currency : ₹ In lacs, except otherwise specified)

| | | | |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Long-Term Provisions | 2.13 | - | 2.13 |
| **Total Non Current Liabilities** | **2.13** | - | **2.13** |
| **Current Liabilities** | | | |
| Financial Liabilities | | | |
| (i) Trade Payables | 2.73 | - | 2.73 |
| Other Current Liabilities | 3.11 | - | 3.11 |
| Short-Term Provisions | 0.00 | - | 0.00 |
| **Total Current Liabilities** | **5.84** | - | **5.84** |
| **Total Equity and Liabilities** | **205.21** | - | **205.21** |

**Reconciliation of Total Comprehensive Income For The Period Ended March 31, 2017**

| Particulars | Foot Notes | Indian GAAP | Ind AS Adjustments | Ind AS |
|---|---|---|---|---|
| I. Revenue from operations | | - | - | - |
| II. Other income | | - | - | - |
| III. **Total Income (I + II)** | | - | - | - |
| IV. Expenses | | | | |
| Cost of materials consumed | | - | - | - |
| Purchase of traded goods | | - | - | - |
| trade | | - | - | - |
| Excise duty | | | - | - |
| Employee benefits expense | | - | - | - |
| Finance costs | | - | - | - |
| Depreciation and amortization expense | | - | - | - |
| Other expenses | | 4.97 | - | 4.97 |
| **Total Expenses (IV)** | | **4.97** | - | **4.97** |
| V. **Profit Before Exceptional and Extraordinary Items and Tax** | | **(4.97)** | - | **(4.97)** |
| VI. Exceptional Items | | - | - | - |
| VII. **Profit/ (Loss) Before Tax (V - VI)** | | **(4.97)** | - | **(4.97)** |
| VIII. **Tax Expense:** | | | | |
| Current Tax | | - | - | - |
| Deferred Tax | | 2.15 | - | 2.15 |
| IX. **Profit/ (Loss) for the Year (VII - VIII)** | | **(2.82)** | - | **(2.82)** |
| **Other Comprehensive Income** | | | | |
| **Items That Will Not Be Reclassified to Profit or Loss** | | - | - | - |
| **Items That Will Be Reclassified To Profit Or Loss** | | - | - | - |
| **Total Other Comprehensive Income For The Period (B)** | | - | - | - |
| **Total Comprehensive Income For The Period (A + B)** | | **(2.82)** | - | **(2.82)** |

**Effect on Ind AS adoption on the statement of cash flow for the year ended March 31, 2017:**

| Particulars | Indian GAAP | Ind AS adjustments | Ind AS |
|---|---|---|---|
| Net cash flow from/(used in) operating activities | 2.84 | (0.00) | 2.84 |
| Net cash flow from/(used in) investing activities | (185.41) | - | (185.41) |
| Net cash flow from/(used in) financing activities | 200.06 | - | 200.06 |
| Net increase/(decrease) in cash and cash equivalents | 17.49 | (0.00) | 17.49 |
| Cash and cash equivalents at the begning of the year | - | - | - |
| Cash and cash equivalents at the end of the year | 17.49 | (0.00) | 17.49 |

**Notes to first-time adoption:**

**1. Other Comprehensive Income**

Under previous GAAP, the Company has not presented other comprehensive income (OCI) separately. Items that have been reclassified from statement of profit and loss to other comprehensive income includes remeasurement of defined benefit plans. Hence, previous GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

# Digital Ecom Techno Private Limited
## Notes To Financial Statements For The Year Ended March 31, 2018

(Currency : ₹ In lacs, except otherwise specified)

**Note 31 : Related Party Transactions**

**a) List of related parties**

| Name of Related Party | Nature of relationship |
|---|---|
| Redwood Internet Ventures | Ultimate Holding Company |
| Digital Internet Technologies Limited | Holding Company |
| PDS Multinational Fashions Limited | Enterprise over which KMP can exercise significant influence |
| Pearl Global Industries Limited | |
| Mr. Deepak Seth | Key Managerial Personnel |
| Mr. Arun Chander Mohan | |
| Mr. Omprakash Makam Suryanarayan Setty | |
| Mr. Chayan Mukhopadhyay | |

**b) Transactions with related parties**

| Name of Related Party | Relationship | Nature of Transaction | For the Year ended March 31, 2018 | For the Period ended March 31, 2017 |
|---|---|---|---|---|
| Digital Internet Technologies Limited | Holding Company | Share Issued | 214.98 | 200.06 |
| PDS Multinational Fashions Limited | Enterprise over which KMP can exercise significant influence | Rent Paid | 17.62 | - |
| | | Other Expenses | 3.91 | - |
| Mr. Arun Chander Mohan | Key Managerial Person | Salary Paid | - | 2.77 |
| Mr. Chayan Mukhopadhyay | Key Managerial Person | Salary and Perquisities | 31.00 | 20.00 |
| | | Other Employment Benefit - Gratuity | 1.20 | 0.41 |

Note: Figures are excluding service tax wherever applicable

**c) Year end payable balances of related parties**

| Name of Related Party | Relationship | As At March 31, 2018 | As At March 31, 2017 |
|---|---|---|---|
| Digital Ecom Techno Private Limited | Enterprises owned or significantly influenced by KMP or their relatives. | 2.91 | - |

**d) Terms and conditions of transactions with related parties**

All the transaction with the related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free except the interest bearing loan and settlement occurs in cash. There have been no guarantees provided or received for any related party payables.

**Note 32:** Figures have been rounded off to the nearest lacs, upto two decimals except otherwise stated.

S.R. DINODIA & CO. LLP CHARTERED ACCOUNTANTS

***For & on behalf of Board of Directors of Digital Ecom Techno Private Limited***

**(Arun Chandra Mohan)**
*Director*
DIN 03387469

**(Deepak Seth)**
*Director*
DIN 00003021

Place of Signature: Gurugram
Date: 14 MAY 2018

S.R. DINODIA & Co. LLP
CHARTERED ACCOUNTANTS

K-39 Connaught Place, New Delhi-110001 INDIA
Ph. : +91-(0)11-4370 3300 Fax : +91-(0)11-4151 3666

## Independent Auditor's Report

To The Members of **Parc Design Private Limited**

**Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of **Parc Design Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the period October 9, 2017 to March 31, 2018, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued there under. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit of the Separate Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on Ind AS financial statements.



**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2018 and its loss (including other comprehensive income), its cash flows and the changes in the equity for the period ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued there under.

   (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

   (f) As per the Company, in view of the MCA notification dated 13 June 2017, the Company is exempt from the requirements of clause (i) of section 143 (3) and therefore the report on adequacy and operating effectiveness of internal financial controls over financial reporting of the Company is not being made.

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

      i. On the basis of written representations received from the management of the Company, the Company does not have any pending litigations which would impact its financial position;

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, paragraph 3 and 4 of the order are not applicable and hence not reported.

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants,*
Firm Registration Number 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership No. 083689

Place of Signature: New Delhi
Date: 25 MAY 2018

# Parc Designs Private Limited
## Balance Sheet As At March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| Particulars | Note No. | As At March 31, 2018 |
|---|---|---|
| **Assets** | | |
| **I. Non-Current Assets** | | |
| (a) Property, Plant and Equipment | 4 | 0.19 |
| (b) Financial Assets | | |
| (i) Others | 5 | 15.22 |
| (c) Deferred Tax Assets (Net) | 19 | 15.71 |
| (d) Other Non Current Assets | 6 | 10.60 |
| **Total Non-Current Assets** | | **41.71** |
| **Current Assets** | | |
| (a) Financial Assets | | |
| (i) Cash and Cash Equivalents | 7 | 20.90 |
| (b) Other Current Assets | 6 | 1.56 |
| **Total Current Assets** | | **22.46** |
| **Total Assets** | | **64.17** |
| **II. Equity And Liabilities** | | |
| **Equity** | | |
| (a) Equity Share Capital | 8 | 91.00 |
| (b) Other Equity | | |
| - Retained Earning | 9 | (35.23) |
| **Total Equity** | | **55.77** |
| **Liabilities** | | |
| **Non- Current Liabilities** | | |
| (a) Provisions | 10 | 0.27 |
| **Total Non- Current Liabilities** | | **0.27** |
| **Current Liabilities** | | |
| (a) Financial Liabilities | | |
| (i) Trade Payables | 11 | |
| - Total outstanding dues to Micro and Small Enterprises | | - |
| - Total outstanding dues to parties other than Micro and Small Enterprises | | 6.88 |
| (b) Other Current Liabilities | 12 | 1.24 |
| (c) Provisions | 10 | 0.01 |
| **Total Current Liabilities** | | **8.13** |
| **Total Equity and Liabilities** | | **64.17** |
| Summary of Significant Accounting Policies | 3 | |

The accompanying notes form an integral part of these financial statements

As per our Report of even date attached

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*
Firm's Registration Number: 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

***For & on behalf of Board of Directors of Parc Designs Private Limited***

**(Omprakash M.S. Setty)**
*Director*
DIN : 01908522

**(Parmaarth Kapur)**
*Director*
DIN : 00218140

Place of Signature: Noida
Date: 25 MAY 2018

# Parc Designs Private Limited

## Statement of Profit and Loss For The Period October 9, 2017 to March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| | Particulars | Note No. | For the year ended March 31, 2018 |
|---|---|---|---|
| I | Revenue From Operations | | - |
| II | Other Income | 13 | 0.25 |
| III | **Total Income (I+II)** | | 0.25 |
| IV | **Expenses** | | |
| | (a) Employee Benefits Expense | 14 | 8.97 |
| | (f) Finance Costs | 15 | 0.01 |
| | (b) Depreciation and Amortization Expense | 16 | 0.01 |
| | (c) Other Expenses | 17 | 42.20 |
| | **Total Expenses** | | 51.19 |
| V | **Profit/ (Loss) Before Exceptional Items and Tax (III-IV)** | | (50.94) |
| VI | **Exceptional Items** | | - |
| VII | **Profit/ (Loss) Before Tax (V-VI)** | | **(50.94)** |
| VIII | **Tax Expense:** | 19 | |
| | (a) Current Tax | | - |
| | (c) Deferred tax | | (15.71) |
| | **Total Tax Expense** | | **(15.71)** |
| IX | **Profit/(Loss) For The Period (VII-VIII)** | | **(35.23)** |
| X | **Other Comprehensive Income** | | |
| (A) | (i) Items that will not be reclassified Subsequently to Profit or Loss | | |
| | (a) Re-measurement gains/ (losses) on defined benefit plans | | - |
| | (ii) Income tax on items that will not be reclassified subsequently to profit and loss | | - |
| (B) | (i) Items that will be reclassified Subsequently to Profit or Loss | | - |
| | (ii) Income tax on items that will be reclassified subsequently to profit and loss | | - |
| | **Other Comprehensive Income For The Period, Net Of Tax** | | - |
| XI | Total Comprehensive Income for the year, net of tax | | **(35.23)** |
| XII | **Earnings Per Share: (Face value ₹ 10 per share)** | 18 | |
| | 1) Basic (amount in ₹) | | (36.70) |
| | 2) Diluted (amount in ₹) | | (36.70) |
| | Summary of Significant Accounting Policies | 3 | |

The accompanying notes form an integral part of these financial statements

As per our Report of even date attached

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*
Firm's Registration Number: 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

***For & on behalf of Board of Directors of Parc Designs Private Limited***

**(Omprakash M.S. Setty)**
*Director*
DIN : 01908522

**(Parmaarth Kapur)**
*Director*
DIN : 00218140

Place of Signature: Noida
Date: 25 MAY 2018

# Parc Designs Private Limited

## Cash Flow Statement For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| Particulars | | For the Period ended March 31, 2018 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| **Profit Before Tax** | | (50.94) |
| **Adjustments for:** | | |
| Depreciation and amortization | | 0.01 |
| Interest Paid | | 0.01 |
| **Operating Profit Before Working Capital Changes** | | **(50.91)** |
| **Movement in Working Capital:** | | |
| Increase/(Decrease) in Trade Payables & Other Current Liabilities | | 8.40 |
| (Increase)/Decrease in Non-Current Financial Assets | | (15.22) |
| (Increase)/Decrease in Other Current Assets and Other Bank Balances | | (1.56) |
| (Increase)/Decrease in Other Non-Current Assets | | (10.60) |
| **Cash Generated From Operations** | | **(69.89)** |
| Direct Tax paid (Net of Refunds) | | - |
| **Net Cash Inflow From/(Used In) Operating Activities** | **( A )** | **(69.89)** |
| **Cash Flows From Investing Activities** | | |
| Purchase of Fixed Assets | | (0.20) |
| **Net Cash From/ (Used In) Investing Activities** | **( B )** | **(0.20)** |
| **Cash Flows From Financing Activities** | | |
| Proceeds from issue of Share Capital | | 91.00 |
| Interest paid (net) | | (0.01) |
| **Net cash inflow from/(used in) Financing Activities** | **( C )** | **90.99** |
| **Net Increase (Decrease) In Cash And Cash Equivalents** | **(A+B+C)** | **20.90** |
| Opening Balance of Cash and Cash Equivalents | | - |
| **Total Cash And Cash Equivalent (Note 7)** | | **20.90** |
| **Components Of Cash And Cash Equivalents** | | |
| Cash on hand | | - |
| With banks - on current account and deposits with banks | | 20.90 |
| **Total Cash And Cash Equivalent (Note 7)** | | **20.90** |

Summary of Significant Accounting Policies 3

The accompanying notes form an integral part of these financial statements

As per our Report of even date attached

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*
Firm's Registration Number: 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

***For & on behalf of Board of Directors of***
***Parc Designs Private Limited***

**(Omprakash M.S. Setty)**
*Director*
DIN : 01908522

**(Parmaarth Kapur)**
*Director*
DIN : 00218140

Place of Signature: Noida
Date: 25 MAY 2018

# Parc Designs Private Limited

## Statement Of Changes In Equity For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

(Amount in ₹ lacs)

| A. Equity Share Capital | As At March 31, 2018 |
|---|---|
| Balance at the Beginning of the Period | - |
| Increase On Account Of Issue Of Shares For Cash | 91.00 |
| Balance At the End of the Period | **91.00** |

(Amount in ₹ lacs)

| B. Other Equity | Other Equity | | |
|---|---|---|---|
| | Retained earnings | Other Comprehensive Income | Total equity |
| **Balance As At October 09, 2017** | - | - | - |
| Net Income/ Loss for the period | (35.23) | - | (35.23) |
| Re-measurement of Defined Benefit Plan (Net of Tax) | - | - | - |
| **Total Comprehensive Income** | (35.23) | - | (35.23) |
| **Balance As At March 31, 2018** | **(35.23)** | - | **(35.23)** |

*Summary of Significant Accounting Policies* 3

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

As per our Report of even date attached

**For S.R. Dinodia & Co. LLP.**
*Chartered Accountants*
Firm's Registration Number: 001478N/N500005

**(Sandeep Dinodia)**
*Partner*
Membership Number 083689

***For & on behalf of Board of Directors of Parc Designs Private Limited***

**(Omprakash M.S. Setty)**
*Director*
DIN : 01908522

**(Parmaarth Kapur)**
*Director*
DIN : 00218140

Place of Signature: Noida
Date: 25 MAY 2018

# Parc Designs Private Limited

## Notes To Financial Statements For The Period Ended March 31, 2018

**(Currency : ₹ in lacs, except otherwise specified)**

**Note 1: Corporate Information**

Parc Designs Private Limited is a Private Limited Company (hereinafter referred as 'the Company') domiciled in India and has its registered office at 758 & 759, 2nd Floor, 19th Main, HSR Layout, Sector-II, Bangalore - 560102, Karnataka. The Company is engaged in Manufacturing and Trading of ready to wear apparels across the globe.

The financial statements were authorized for issue by the Company's Board of Directors on May 25, 2018.

**Note 2:**

**Statement of Compliance:** The financial statements have been prepared as a going concern in accordance with Indian Accounting Standards (Ind AS) notified under the Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act. Since the Company has been incorporated on Ninth day of October 2017 under Companies Act, 2013 therefore no previous year figures were avaliable for comparison with the current period figures . Accordingly these are Company's first Ind AS financial statement, with no date of transition.

**Basis of Preparation and Presentation:** The financial statements have been prepared on the historical cost convention on accrual basis except for certain financial instruments which are measured at fair value at the end of each reporting period, as explained in the accounting policies mentioned below. Historical cost is generally based on the fair value of the consideration given in exchange of goods or services.

The financial statements are presented in ₹ and all values are rounded to the nearest Lacs, upto two decimal places, except otherwise stated.

**Going Concern:** The board of directors have considered the financial position of the Company at 31st March 2018 and financial performance of the Company for at least twelve months from the date of approval of these financial statements as well as planned cost and cash improvement actions, and believe that the plan for sustained profitability remains on course.

The board of directors have taken actions to ensure that appropriate long-term cash resources are in place at the date of signing the accounts to fund the Company's operations.

**Note 3: Significant accounting policies**

a) **Significant accounting judgements, estimates and assumptions**

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amount of revenues and expenses for the years presented. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed at each balance sheet date. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods affected.

**Judgements:**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

**Revenue recognition and presentation**

The Company assesses its revenue arrangements against specific criteria, i.e. whether it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services, in order to determine if it is acting as a principal or as an agent. The Company has concluded that they operating on a principal to principal basis in all its revenue arrangements.

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction.

**Useful lives of property, plant and equipment & Intangible Assets**

The Company reviews the useful life, residual value and depreciation/amortisation method of property, plant & equipment and Intangible Assets at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

**Estimates and Assumptions:**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.



**Income taxes**

The Company is subject to income tax laws as applicable in India. Significant judgment is required in determining provision for income taxes. 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 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.

**Recoverability of deferred taxes**

In assessing the recoverability of deferred tax assets, management considers whether it is probable that taxable profit will be available against which the losses can be utilised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment.

**Defined benefit plans**

The present value of the gratuity and compensated absences are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

**b) Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

**Assets:**

An asset is treated as current when it is:

a) Expected to be realised or intended to be sold or consumed in normal operating cycle.
b) Held primarily for the purpose of trading
c) Expected to be realised within twelve months after the reporting period, or
d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

**Liabilities:**

A liability is current when:

(a) It is expected to be settled in normal operating cycle
(b) It is held primarily for the purpose of trading
(c) It is due to be settled within twelve months after the reporting period, or
(d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**Operating Cycle:** All assets and liabilities have been classified as current or noncurrent according to the Company's operating cycle and other criteria set out in the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of assets and liabilities.

**c) Property, Plant and Equipment**

Property, plant and equipment and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct services, any other costs directly attributable to bringing the assets to its working condition for their intended use and cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss within other income.

**Subsequent costs:** The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item of property, plant and equipment, if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably with the carrying amount of the replaced part getting derecognised. The cost for day-to-day servicing of property, plant and equipment are recognised in statement of profit and loss as and when incurred.



**Decommissioning Costs :** The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

**Elimination:** Property, Plant and Equipments are eliminated from financial statements, either on disposal or when retired from active use. Losses/gains arising in case retirement/disposals of property, plant and equipment are recognized in the statement of profit and loss in the year of occurrence.

**Depreciation and Useful lives :** Depreciation on Property Plant and Equipments is provided on the straight-line method over the useful lives of assets estimated by the management. Depreciation for assets purchased / sold during a period is proportionately charged to Statement of Profit & Loss. Leasehold improvements are amortised over the lease term or the useful life of the assets whichever is earlier.

d) Intangible Assets

**Recognition and Measurement**

Intangible assets that are acquired by the Company are measured initially at cost. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any. All expenditures, qualifying as Intangible Assets are amortized over estimated useful life.

**Amortisation and Useful Lives:** Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. Amortisation is calculated over the cost of the asset, or other amount substituted for cost.

e) Borrowing costs

Borrowing costs consists of interest and amortization of ancillary costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

f) **Foreign currencies**

**Functional and presentational currency**

The Company's financial statements are presented in Indian Rupees (₹) which is also the Company's functional currency. Functional currency is the currency of the primary economic environment in which a Company operates and is normally the currency in which the Company primarily generates and expends cash.

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in statement of profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

g) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Revenue relating to sale of goods is recognised on dispatch of goods which coincides with the transfer of significant risks and rewards related to goods and are accounted for net of returns. Net sales, as disclosed, are exclusive of Goods and Service Tax. Sales are recognised on transfer of significant risks and rewards to the customer, which takes place on dispatch of goods from the factory/ storage area and port respectively.



**h) Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All the lease other than Finance lease are classified as operating lease.

**Company as a lessee**

**Finance lease**

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Operating lease**

A lease where risks and rewards incidental to ownership of an asset substantially vest with the lessor is classified as operating lease. Lease payments under operating leases are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

The Company has ascertained that the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases and therefore are not straight-lined. Hence, the lease payments are recognised on an accrual basis as per terms of the lease agreement.

**i) Employee's Benefits**

**(i) Short Term Employee Benefits:** Short term employee benefits are recognised as an expense at an undiscounted amount in the Statement of Profit & Loss of the year in which the related service is rendered. Terminal Benefits are recognized as an expense immediately.

**(ii) Defined Contribution Plan** : Contributions payable to recognised provident fund and employee state insurance scheme, which are substaintially defined contribution plans, are recognised as expense in the Statement of Profit and Loss, as they incurred.

**(iii) Defined Benefit Plan :** The cost of providing defined benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefit become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

**(iv) Other Long term Benefits** : Long term compensated absences are provided for on the basis of actuarial valuation, using the projected unit credit method, at the end of each financial year. Acturial gains/ losses, if any, are recognised immediately in the Statement of Profit and Loss.

**j) Provisions**

**General**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in the statement of profit and loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. The unwinding of discount is recognised in the statement of profit and loss as a finance cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.



**k) Financial instruments**

A financial instrument is a contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

**(a) Financial Assets**

**Initial Recognition and Measurement**

A financial asset is initially recognised at fair value. In case of financial assets which are recognised at fair value through profit and loss (FVTPL), its transaction cost are recognised in the statement of profit and loss. In other cases, the transaction cost are attributed to the acquisition value of the financial asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial Asset carried at amortised cost
- Financial Asset at fair value through other comprehensive income (FVTOCI)
- Financial Asset at fair value through profit and loss (FVTPL)

**Financial Asset carried at amortised cost**

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial Asset at fair value through other comprehensive income (FVTOCI)**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial Asset at fair value through profit and loss (FVTPL)**

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

**De-recognition**

A financial asset (or, where applicable, a part of a financial asset) is primarily derecognised (i.e. removed from the Company's Balance Sheet) when:

(i) The contractual rights to receive cash flows from the asset has expired, or

(ii) The Company has transferred its contractual rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**(b) Financial Liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables etc.

**Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

-Financial liabilities at amortised cost

-Financial liabilities at fair value through profit and loss (FVTPL)

**Financial liabilities at Amortized cost**

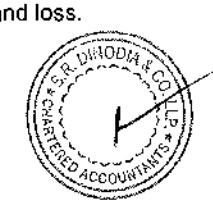
**Loans and borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

**De-recognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.



**(c) Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously

**l) Impairment of financial assets**

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:
Financial assets that are debt instruments, and are initially measured at fair value with subsequent measurement at amortised cost e.g., trade and other receivables, security deposits, loan to employees, etc.
The Company follows 'simplified approach' for recognition of impairment loss allowance for trade receivables.
The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.
ECL is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate.
As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.
ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss.

**m) Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
The recoverable amount of an asset or cash-generating unit ('CGU') is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ('CGU').

An impairment loss is recognized, if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount and is recognised in statement of profit and loss.
Impairment losses recognised in prior periods are assessed at end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**n) Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**o) Taxes**

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income (OCI) or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets are offset against current tax liabilities if, and only if, a legally enforceable right exists to set off the recognised amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Deferred tax**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**p) Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash balance on hand, cash balance at banks and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

**q) Earnings per share (EPS)**

Basic EPS amounts are calculated by dividing the profit for the year attributable to the shareholders of the Company by the weighted average number of equity shares outstanding as at the end of reporting period.

Diluted EPS amounts are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

**r) Contingent Liabilities and Contingent Assets**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

**s) Recent Accounting Pronouncement**

**Standards issued but not yet effective**

a) Ind AS 115 was notified on 28 March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions of the Company. Ind AS 115 is effective for the Company in the first quarter of fiscal 2019 using either one of two methods: (i) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 115 (the full retrospective method); or (ii) retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (1 April 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

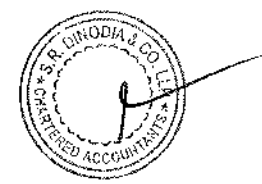


The Company continues to evaluate the available transition methods and its contractual arrangements. The ultimate impact on revenue resulting from the application of Ind AS 115 will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements and the mix of business. The Company's considerations also include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements. The Company has established an implementation team to implement Ind AS 115 related to the recognition of revenue from contracts with customers and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary.

b) Modifications on Ind AS 102, have been issued by MCA, however the standard is not applicable to the Company.

**c) Amendment to Ind AS 12 - Income Taxes:** The amendment to Ind AS 12 requires the entities to consider restriction in tax laws in sources of taxable profit against which entity may make deductions on reversal of deductible temporary difference (may or may not have arisen from same source) and also consider probable future taxable profit. The company is evaluating the requirements and its impact on the financial statements.

**d) Amendment to Ind AS 21 - Effect for changes in Exchange Rates:** The amendment to Ind AS 21 requires the entities to consider exchange rate on the date of initial recognition of advance consideration (asset/ liability), for recognising related expense/ income on the settlement of said asset/ liability. The Company is evaluating the requirements of the amendment and its impact on the financial statements.




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# Parc Designs Private Limited
## Notes To Financial Statements For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

Note 4 : Property, Plant and Equipment

| Particulars | Computers | Total |
|---|---|---|
| **Gross Carrying Value** | | |
| **Balance As At October 09, 2017** | - | - |
| Add: Additions made during the period | 0.20 | 0.20 |
| Less: Disposals/adjustments during the period | - | - |
| **Balance As At March 31, 2018** | **0.20** | **0.20** |
| | | |
| **Depreciation and impairment** | | |
| **Balance As At October 09, 2017** | - | - |
| Add: Depreciation charge for the period | 0.01 | 0.01 |
| Less: Disposals/adjustments during the period | - | - |
| **Balance As At March 31, 2018** | **0.01** | **0.01** |
| | | |
| **Net Carrying Amount** | | |
| **As At March 31, 2018** | **0.19** | **0.19** |

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**Note 5 : Financial Assets - Loan**

| | As At March 31, 2018 |
|---|---|
| **Non- current** | |
| Security Deposits (Unsecured, considered good) **(Refer Note 'a' below)** | 15.22 |
| **Total** | **15.22** |

a) Security deposits are not in the nature of loans hence classified as part of other financial assets.

**Note 6 : Other Assets**

| | | As At March 31, 2018 |
|---|---|---|
| **Non Current** | | |
| Capital Advances **(Refer Note 'a' below)** | | 1.00 |
| Deferred Payment Asset | | 4.53 |
| Balance with Government Authorities | | 5.07 |
| | **(A)** | **10.60** |
| **Current** | | |
| Prepaid Expenses | | 0.35 |
| Deferred Payment Asset | | 1.21 |
| | **(B)** | **1.56** |
| **Total** | **(A+B)** | **12.15** |

| a) Commitments | As At March 31, 2018 |
|---|---|
| Estimated amount of contracts remaining to be executed on capital account (net of capital advances) | 1.25 |
| | **1.25** |

**Note 7 : Cash and Cash Equivalents**

| | As At March 31, 2018 |
|---|---|
| Balances with banks: | |
| - Current account | 20.90 |
| Cash on hand | - |
| Less: Bank Overdraft | - |
| | **20.90** |

a) For the purpose of the statement of cash flow, cash and cash equivalents comprise of the following:

| | As At March 31, 2018 |
|---|---|
| Balances with banks: | |
| - Current account | 20.90 |
| Cash on hand | - |
| Less: Bank Overdraft | - |
| | **20.90** |



## Parc Designs Private Limited
### Notes To Financial Statements For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

**Note 8 : Share Capital**

| | As At March 31, 2018 |
|---|---|
| **Authorised Share Capital** | |
| 3,000,000 equity shares of ₹ 10 each* | 300.00 |
| **Issued, Subscribed and Paid Up** | |
| 910,000 equity shares of ₹ 10 each* | 91.00 |
| | **91.00** |

* No. of Shares are reported in absolute numbers

**a) Reconciliation of Authorised, Issued and Subscribed Share Capital:**

**i. Reconciliation of Authorised Share Capital as at year end :**

| | No. of shares* | Amount |
|---|---|---|
| **Balance as at October 9, 2017** | - | - |
| Changes during the period | 3,000,000 | 300.00 |
| **Balance as at March 31, 2018** | **3,000,000** | **300.00** |

* No. of Shares are reported in absolute numbers

**ii. Reconciliation of Issued and Subscribed Share Capital As At year end:**

| | No. of shares* | Amount |
|---|---|---|
| Balance at the beginning of the period | - | - |
| Changes during the period | 910,000 | 91.00 |
| Balance at the end of the period | **910,000** | **91.00** |

* No. of Shares are reported in absolute numbers

**b) Terms/ rights attached to equity shares:**

The company has only one class of equity shares having a par value of `10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. No dividend proposed by the Board of Directors. During the period ended March 31, 2018, the amount of per share dividend recognized as distributions to equity shareholders was ` Nil per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c) Details of shareholders holding more than 5% shares in the company**

| | March 31, 2018 | |
|---|---|---|
| | No. of shares* | Holiding % |
| Parmaarth Kapur | 445,899.00 | 49.00 |
| PDS Multinational Fashions Limited | 327,600.00 | 36.00 |
| Rakesh Chadha | 136,500.00 | 15.00 |

* No. of Shares are reported in absolute numbers

**Note 9 : Other Equity**

| | As At March 31, 2018 |
|---|---|
| Retained Earnings | (35.23) |
| | **(35.23)** |

**Retained Earnings**

| | As At March 31, 2018 |
|---|---|
| Balance at the beginning of the period | - |
| Add: Profit/Loss for the period | (35.23) |
| Add: Other Comprehensive Income during the period | - |
| Balance as the end of the period | **(35.23)** |

Total Other Equity
As at March 31, 2018 **(35.23)**

**Nature and Purpose of Reserve**

**Retained Earnings:** Retained Earning are the profits that the company has earned till date, less any transfer to general reserve, dividend or other distributions, if any, paid to shareholders.

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| Note 10 : Provisions | As At March 31, 2018 |
|---|---|
| **Non- Current** | |
| **Provision for Employee Benefits** | |
| Provision for Compensated Absences **(Refer Note 20)** | 0.15 |
| Provision for Gratuity **(Refer Note 20)** | 0.12 |
| **Total (A)** | **0.27** |
| **Current** | |
| **Provision for Employee Benefits** | |
| Provision for Compensated Absences **(Refer Note 20)*** | 0.00 |
| Provision for Gratuity **(Refer Note 20)** | 0.01 |
| Total (B) | 0.01 |
| Total (A+B) | **0.28** |

* Represents ` 51 as at March 31, 2018.

| Note 11 : Trade Payable | As At March 31, 2018 |
|---|---|
| - Outstanding dues to Micro and Small Enterprises (Refer Note 'c' below) | - |
| - Outstanding dues to parties other than Micro and Small Enterprises (Refer Note 'a' & 'b' below) | 6.88 |
| | **6.88** |

a) Trade payables are non-interest bearing and are normally settled on 90 days terms

b) Trade payables to related parties amounts to ` Nil lacs as at March 31, 2018

(c) As per Schedule III of the Companies Act, 2013 and notification number GSR 719 (E) dated November 16, 2007 & as certified by the management, the amount due to Micro, small & medium enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2006 is as under:

| | |
|---|---|
| - The amount of interest paid by the Company as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) | - |
| -The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year | - |
| -The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006. | - |
| -The amount of interest accrued and remaining unpaid at the end of each accounting year | - |
| -The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006. | - |

| Note 12 : Other Current Liabilities | As At March 31, 2018 |
|---|---|
| Statutory Dues | 1.24 |
| | **1.24** |



| Note 13 : Other Income | For the Period ended March 31, 2018 |
|---|---|
| Unwinding of Discount on Security Deposits | 0.25 |
| | **0.25** |

| Note 14 : Employee Benefits Expense | For the Period ended March 31, 2018 |
|---|---|
| Salaries, Wages & Bonus | 8.51 |
| Contribution to Provident and Other fund | 0.18 |
| Gratuity **(Refer Note 20)** | 0.12 |
| Compensated Absences **(Refer Note 20)** | 0.16 |
| | **8.97** |

| Note 15 : Finance cost | For the Period ended March 31, 2018 |
|---|---|
| Interest Expense on delayed Payment of TDS | 0.01 |
| | **0.01** |

| Note 16 : Depreciation and Amortization Expense | For the Period ended March 31, 2018 |
|---|---|
| Depreciation of Property, Plant & Equipment | 0.01 |
| | **0.01** |

| Note 17 : Other Expenses | For the Period ended March 31, 2018 |
|---|---|
| Brokerage and Commission | 4.43 |
| Legal and professional | 0.09 |
| Power & fuel | 1.47 |
| Rent | 19.26 |
| Rates and taxes | 11.12 |
| Repair and maintenance - Building | 3.87 |
| Repair and maintenance - Others | 0.43 |
| Travelling and conveyance | 0.39 |
| Auditor's remuneration **(Refer Note Below)** | 0.15 |
| Miscellaneous expenses | 0.05 |
| Guard and Security Expenses | 0.71 |
| Sampling Expenses | 0.23 |
| Total | **42.20** |

**a) Details of payment made to auditors is as follows:**

| Payment to auditors | For the Period ended March 31, 2018 |
|---|---|
| As auditor: | |
| - Statutory audit fee | 0.15 |
| - Tax audit fee | - |
| - Other Services | - |
| - Reimbursement of Expenses | - |



| | |
|---|---|
| | 0.15 |

**b) Operating Lease**

The company has one premises on non-cancellable operating leases. The lease is for five years after which it is at the sole discretion of the company to extend the lease term for five more years. Lease rentals amounting to ₹ 19.26 lacs, has been charged as expense under the head 'Rent' in the Statement of Profit & Loss.

**ii) Future Minimum Lease Payable under Non-Cancellable Operating Lease is as Follows:**

| | As At March 31, 2018 |
|---|---|
| Within one year | 85.05 |
| After 1 year but not more than 5 years | 358.10 |
| More than 5 years | - |
| | **443.15** |

| **Note 18 : Earnings per share (EPS)** | **For the Period ended March 31, 2018** |
|---|---|
| Profit attributable to the equity holders of the parent | (35.23) |
| Weighted average number of equity shares for basic and diluted EPS | 96,000.00 |
| **Basic and diluted earnings per share(in ₹) (face value ₹ 10 per share)** | (36.70) |




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# Parc Designs Private Limited
## Notes To Financial Statements For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

**Note 19 : Income Taxes**

a) The major components of income tax expense for the period ended March 31, 2018.

| **Tax expense** | **For the period ended March 31, 2018** |
|---|---|
| Current tax | - |
| Deferred tax | (15.71) |
| **Income tax expense reported in the statement of profit or loss** | **(15.71)** |

**b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2018.**

| | **For the period ended March 31, 2018** |
|---|---|
| Accounting profit before tax from continuing operations | (50.94) |
| **Accounting profit before income tax** | |
| At India's statutory income tax rate of 30.90% | (15.74) |
| Preliminary Expenses (Section 35D - First Year) | 0.03 |
| Interest on Late Payment of TDS | 0.00 |
| Marginal Relief | - |
| At the income tax rate | (15.71) |
| Income tax expense reported in the statement of profit and loss | (15.71) |
| | 0.01 |

**c) Deferred tax:**

| | **As At March 31, 2018** |
|---|---|
| **Deferred tax assets relates to the following:** | |
| Carry forward tax loss and Unabsorbed depreciation | 15.70 |
| Prepayment | 0.01 |
| Employee Benefits | - |
| Preliminary expenses | 0.01 |
| | **15.73** |
| **Deferred tax liability** | 0.02 |
| | **0.02** |
| **Total Deferred Tax Assets/(liabilities) (Net)** | **15.71** |

**d) Deferred tax expense/income:**

| | **For the Period ended March 31, 2018** |
|---|---|
| **Deferred tax assets relates to the following :** | |
| Carry forward tax loss and Unabsorbed depreciation | 15.70 |

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| | |
|---|---|
| Prepayment | 0.01 |
| Employee Benefits | - |
| Preliminary expenses | 0.01 |
| | **15.73** |
| **Deferred tax liability** | 0.02 |
| | **0.02** |
| **Net deferred tax charge** | **15.72** |
| Recognised in statement of profit and loss | (15.71) |
| Recognised in other comprehensive income | - |

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

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**Note 20 : Gratuity And Other Post-Employment Benefit Plans**

The Company makes contribution towards provident fund/ pension fund. Under the scheme, the Company is required to contribute a specified percentage of payroll cost, as specified in the rules of the schemes, to the defined contribution scheme. The Company has recognized ₹ 0.18 lacs during the period ended March 31, 2018, as expense towards contribution to the plan.

| | For the period ended March 31, 2018 |
|---|---|
| Provident Fund | 0.18 |
| ESI Contribution | - |
| **Total** | **0.18** |

**b) Defined benefit plans**

In accordance with Ind AS 19 "Employee benefits", an actuarial valuation on the basis of "Projected Unit Credit Method" was carried out, through which the Company is able to determine the present value of obligations. "Projected Unit Credit Method" recognizes each period of service as giving rise to additional unit of employees benefit entitlement and measures each unit separately to built up the final obligation.

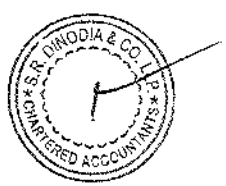
**i) Gratuity scheme**

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age.

**ii) Compensated absences**

The Branch Office operates compensated absences plan wherein every employee is entitled to the benefit equivalent to 26 days leave salary for every completed year of service subject to maximum 60 accumulations of leaves. The salary for calculation of earned leave is last drawn salary. The same is payable during the service, early retirement, withdrawal of scheme, resignation by employee and upon death of employee.

c) The following tables summarize the components of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the balance sheet for the defined benefit plan (viz. gratuity).These have been provided on accrual basis, based on year end actuarial valuation.



# Parc Designs Private Limited
## Notes To Financial Statements For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| | | March 31, 2018 | |
|---|---|---|---|
| | | Gratuity (Unfunded) | Compensated Absences (Unfunded) |
| **Change in benefit obligation** | | | |
| 1 | Opening defined benefit obligation | - | - |
| 2 | Acquisition Adjustment | - | - |
| 3 | Add: Interest cost | - | - |
| 4 | Add: Current service cost | 0.12 | 0.16 |
| 5 | Add: Past Service cost | - | - |
| 6 | Less: Benefits paid | - | - |
| 7 | Add: Actuarial (gain) / loss | - | - |
| **Present value of obligation as at the end of the year** | | **0.12** | **0.16** |

**d) The following tables summarise the components of net benefit expense recognised in the Statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:**

| | | March 31, 2018 | |
|---|---|---|---|
| | | Gratuity (Unfunded) | Compensated Absences (Unfunded) |
| **Cost for the year included under employee benefit** | | | |
| Add: | Current service cost | - | - |
| Add: | Past service cost | - | - |
| Add: | Interest cost | - | - |
| Less: | Return on plan assets | 0.12 | 0.16 |
| Add: | Actuarial (gain) / loss | - | - |
| | **Net cost** | **0.12** | **0.16** |

**e) Expected Annual Contribution for next annual reporting period**

March 31, 2018

# Parc Designs Private Limited
## Notes To Financial Statements For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

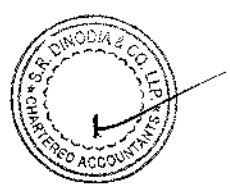
| | Gratuity (Unfunded) | Compensated Absences (Unfunded) |
|---|---|---|
| Service Cost | 0.95 | 0.34 |
| Net Interest Cost | 0.01 | 0.01 |
| | **0.96** | **0.35** |

**f) Detail of actuarial gain/loss recognised in OCI is as follows:**

| | | March 31, 2018 | |
|---|---|---|---|
| | | Gratuity (Unfunded) | Compensated Absences (Unfunded) |
| 1 | Actuarial gain / (loss) for the period – obligation | - | - |
| 2 | Actuarial gain / (loss) for the period - plan assets | - | - |
| 3 | **Total gain / (loss) for the year** | - | - |
| 4 | Actuarial gain / (loss) recognised in the year | - | - |
| 5 | Unrecognised actuarial gains / (losses) at the end of year | - | - |

**g) Principal actuarial assumptions at the balance sheet date are as follows:**

| | | March 31, 2018 | |
|---|---|---|---|
| | | Gratuity (Unfunded) | Compensated Absences (Unfunded) |
| **Economic assumptions** | | | |
| 1 | Discount rate | 7.59% | 7.59% |
| 2 | Rate of increase in compensation levels | 5.00% | 5.00% |
| **Demographic assumptions** | | | |
| 1 | Expected average remaining working lives of employees (years) | 14 | 14 |
| 2 | Retirement Age (years) | 58 | 58 |



# Parc Designs Private Limited
## Notes To Financial Statements For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

| | | | |
|---|---|---|---|
| 3 | Mortality Rate | Indian Assured Lives Mortality (2006-08) (modified) ultimate | |
| **Withdrawal Rate** | | | |
| 1 | Ages up to 30 Years | 5.00% | 5.00% |
| 2 | Ages from 30-44 | 3.00% | 3.00% |
| 3 | Above 44 years | 2.00% | 2.00% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

| **h) Net (assets) / liabilities recognized in the Balance Sheet and experience adjustments on actuarial gain / (loss) for benefit obligation and plan assets.** | March 31, 2018 | |
|---|---|---|
| | **Gratuity (Unfunded)** | **Compensated Absences (Unfunded)** |
| Present value of obligation | 0.12 | 0.16 |
| Less: Fair value of plan assets | - | - |
| Net (assets) / liability | **0.12** | **0.16** |

| **i) A quantitative sensitivity analysis for significant assumption as is as shown below:** | March 31, 2018 | |
|---|---|---|
| | **Gratuity (Unfunded)** | **Compensated Absences (Unfunded)** |
| **A. Discount rate** | | |
| Effect on DBO due to 0.50% increase in Discount Rate | (0.01) | (0.01) |
| Effect on DBO due to 0.50% decrease in Discount Rate | 0.01 | 0.01 |
| **B. Salary escalation rate** | | |
| Effect on DBO due to 0.50% increase in Salary Escalation Rate | 0.01 | 0.01 |

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| | | |
|---|---|---|
| Effect on DBO due to 0.50% decrease in Salary Escalation Rate | (0.01) | (0.01) |

*Note: As certified by the actuary, sensitivities due to mortality and Withdrawals are not material & hence impact of the change due to these not calculated.*

**j) Maturity profile of defined benefit obligation is as follows:**

| | March 31, 2018 | |
|---|---|---|
| | Gratuity (Unfunded) | Compensated Absences (Unfunded) |
| 1 year | 0.00 | 0.01 |
| 2 to 6 years | 0.00 | 0.02 |
| Above 6 years | 0.12 | 0.13 |




*[This space has been left blank intentionall]*

**Note 21: Capital Management**

For the purpose of Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, trade and other payables, less cash and cash equivalents.

| | As At March 31, 2018 |
|---|---|
| Trade payables **(Refer Note 11)** | 6.88 |
| Other payables **(Refer Note 12)** | 1.24 |
| Provisions **(Refer Note 10)** | 0.28 |
| Less: cash and cash equivalents **(Refer Note 7)** | (20.90) |
| Net debt | **(12.50)** |
| Equity share capital **(Refer Note 8)** | 91.00 |
| Other equity **(Refer Note 9)** | (35.23) |
| Total Capital | **55.77** |
| Capital and Net Debt | **43.27** |
| Gearing Ratio | **(0.29)** |

Management has assessed that cash and cash equivalents, trade payables & Security Deposits approximate their carrying amounts largely due to the short-term maturities of these instruments.




*[This page has been left blank intentionally]*

**Note 22 : Fair values**

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

**a) Fair value of financial assets:**

| | Carrying values | Fair values |
|---|---|---|
| | As At March 31, 2018 | As At March 31, 2018 |
| **Financial Assets Measured At Amortised Cost** | | |
| Security Deposits **(Refer Note 5)** | 15.22 | 15.22 |
| Cash and Cash Equivalents **(Refer Note 7)** | 20.90 | 20.90 |
| | **36.12** | **36.12** |

**b) Fair value of financial liabilities:**

| | Carrying values | Fair values |
|---|---|---|
| | As At March 31, 2018 | As At March 31, 2018 |
| **Financial Liabilities Measured at Amortised Cost** | | |
| Trade payables **(Refer Note 11)** | 6.88 | 6.88 |
| | **6.88** | **6.88** |

Management has assessed that cash and Cash Equivalents, Trade Payables, Security Deposits & approximate their carrying amounts largely due to the short-term maturities of these instruments.

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**Note 23 : Fair hierarchy**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that has a significant effect on the fair value measurement are observable, either directly or indirectly.
Level 3: Valuation techniques for which the lowest level input which has a significant effect on the fair value measurement is not based on observable market data.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities

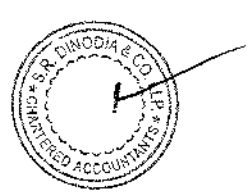
**a) Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2018:**

| | As At March 31, 2018 | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | |
| Security Deposits **(Refer Note 5)*** | 15.22 | - | - | - | - |
| Cash and Cash Equivalents **(Refer Note 7)*** | 20.90 | - | - | - | - |
| **Total** | **36.12** | - | - | - | - |

**b) Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2018:**

| | As At March 31, 2018 | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|---|
| **Financial liabilities measured at amortised cost** | | | | | |
| Trade Payables **(Refer Note 11)*** | 6.88 | - | - | - | - |
| | **6.88** | - | - | - | - |

Management has assessed that Cash and Cash Equivalents, Trade Payables & Security Deposits approximate their carrying amounts largely due to the short-term maturities of these instruments.
There have been no transfers between Level 1 and Level 2 during the period.



**Note 24: Financial Risk Management Objectives And Policies**

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations.

The Company's principal financial assets includes Security Deposits, Trade Receivables, Cash and Cash equivalents, Other Bank Balances.
The Company is exposed to credit risk, liquidity risk and market risk. The Company's senior level management of these risks and is supported by Treasury department that advises on the appropriate financial risk governance framework.

**A. Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk are borrowings, short term deposits and derivative financial instruments.

**i) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates. Since there are no borrowings, company does not carry any interest risk.

**ii) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in exchange rates. Since there is no foreign currency exposure as at March 31, 2018, Company does not carry any foreign Currency Risk

**B. Credit Risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Since the Company has not started its operations during the period ended March 31, 2018, there is no exposure to operating credit risk.

**C. Liquidity risk**

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses.
The Company's objective is to, maintain optimum levels of liquidity to meet its cash and collateral requirements. The Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing.

**The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.**

| As at March 31, 2018 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Trade Payables | - | 6.88 | - | - | - | 6.88 |
| Total | - | 6.88 | - | - | - | 6.88 |

# Parc Designs Private Limited

## Notes To Financial Statements For The Period Ended March 31, 2018

(Currency : ₹ in lacs, except otherwise specified)

**Note 25: Disclosure of related parties/related parties transaction**

**a) Name of the Related Parties and description of relationship**

| Nature of Relationship | Name of the Concern | Country of Incorporation/ Designation |
|---|---|---|
| **Associate** | PDS Multinational Fashions Limited | India |
| **Key Managerial Personnel** | Mr. Parmaarth Kapur | Director |
| | Mrs. Alka Kapur | Director |
| | Mrs. Nidhi Datta | Director |
| | Mr. Omprakash Makam Suryanarayan Setty | Director |

**b) Disclosure of Related Parties Transactions (includes all material transaction):**

**(i) Joint Venturers**

| Particulars | For the period Ended March 31, 2018 |
|---|---|
| Shares Issued | |
| - M/s PDS Multinational Fashions Limited | 3,276,000 |

**(ii) Key Managerial Personnel**

| Particulars | For the period Ended March 31, 2018 |
|---|---|
| Shares Issued | |
| - Mr. Parmaarth Kapur | 4,458,990 |

**c) Terms and conditions of transactions with related parties**

All the transaction with the related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free except the interest bearing loan and settlement occurs in cash. There have been no guarantees provided or received for any related party payables.

**Note 26:** Figures have been rounded off to the nearest lacs, upto two decimals places, except otherwise stated.

*For & on behalf of Board of Directors of*
*Parc Designs Private Limited*

**(Omprakash M.S. Setty)**
*Director*
DIN : 01908522

**(Parmaarth Kapur)**
*Director*
DIN : 00218140

Place of Signature: Noida
Date: 25 MAY 2018

S.R. DINODIA & CO. LLP
CHARTERED ACCOUNTANTS

Report of the Directors and Audited Financial Statements

JJ STAR INDUSTRIAL LIMITED

31 March 2018

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JJ STAR INDUSTRIAL LIMITED

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JJ STAR INDUSTRIAL LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activity
The principal activity of the Company is the trading of garments. There was no significant change in the nature of the Company's principal activity during the year.

Results and dividends
The Company's profit for the year ended 31 March 2018 and its financial position as at that date are set out in the financial statements on pages 5 to 30.

The directors do not recommend the payment of any dividend in respect of the year.

Directors
The directors of the Company during the year were:

Pallak Seth
Deepak Kumar Seth
Jiehua Luo

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests
At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors
Ernst & Young retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

.....
Pallak Seth
Chairman

Hong Kong
29 May 2018

EY安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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ey.com

**Independent auditor's report**
**To the members of JJ Star Industrial Limited**
(Incorporated in Hong Kong with limited liability)

**Opinion**
We have audited the financial statements of JJ Star Industrial Limited (the "Company") set out on pages 5 to 30, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

**Information other than the financial statements and auditor's report thereon**
The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

**Responsibilities of the directors for the financial statements**
The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.



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**Independent auditor's report** (continued)
**To the members of JJ Star Industrial Limited**
(Incorporated in Hong Kong with limited liability)

**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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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**Auditor's responsibilities for the audit of the financial statements** (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants
Hong Kong
29 May 2018

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| REVENUE | 5 | 159,774,721 | 68,358,933 |
| Cost of sales | | ( 150,435,092) | ( 62,930,258) |
| Gross profit | | 9,339,629 | 5,428,675 |
| Other income and gain | 5 | 21,575,909 | 11,562,859 |
| Selling and distribution expenses | | ( 2,132,411) | ( 745,421) |
| Administrative expenses | | ( 20,452,969) | ( 13,718,947) |
| Other operating expenses | | ( 767,684) | ( 153,437) |
| Finance costs | 7 | ( 2,947,138) | ( 1,294,037) |
| PROFIT BEFORE TAX | 6 | 4,615,336 | 1,079,692 |
| Income tax expense | 9 | - | - |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 4,615,336 | 1,079,692 |

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 525,733 | 304,020 |
| CURRENT ASSETS | | | |
| Trade receivables | 11 | 37,220,707 | 3,463,184 |
| Prepayments, deposits and other receivables | 12 | 4,893,395 | 518,981 |
| Due from an intermediate holding company | 17(b) | 574,511 | 1,867,200 |
| Due from a non-controlling shareholder | 17(b) | 1,313,075 | - |
| Due from a related company | 17(c) | 10,965,669 | 7,544,106 |
| Bank balances | | 894,629 | 549,657 |
| Total current assets | | 55,861,986 | 13,943,128 |
| CURRENT LIABILITIES | | | |
| Bank overdraft | | - | 21,173 |
| Trade payables | | 20,094,870 | 1,614,934 |
| Other payables and accruals | 13 | 674,889 | 330,638 |
| Due to fellow subsidiaries | 17(b) | 698,533 | 1,962,212 |
| Due to the immediate holding company | 17(b) | 3,503,791 | 2,574,197 |
| Due to a non-controlling shareholder | 17(b) | - | 2,778 |
| Interest-bearing bank borrowing | 15 | 27,150,212 | 8,091,128 |
| Total current liabilities | | 52,122,295 | 14,597,060 |
| NET CURRENT ASSETS/(LIABILITIES) | | 3,739,691 | ( 653,932) |
| Net assets/(liabilities) | | 4,265,424 | ( 349,912) |

continued/...

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF FINANCIAL POSITION (continued)

31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| EQUITY | | | |
| Share capital | 14 | 389,000 | 389,000 |
| Retained profit/(accumulated losses) | | 3,876,424 | ( 738,912) |
| Total equity/(net deficiency in assets) | | 4,265,424 | ( 349,912) |

Pallak Seth
Director

Deepak Kumar Seth
Director

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

| | Share capital HK$ | Retained profit/ (accumulated losses) HK$ | Total equity HK$ |
|---|---|---|---|
| At 1 April 2016 | 389,000 | (1,818,604) | (1,429,604) |
| Profit and total comprehensive income for the year | - | 1,079,692 | 1,079,692 |
| At 31 March 2017 and 1 April 2017 | 389,000 | ( 738,912) | ( 349,912) |
| Profit and total comprehensive income for the year | - | 4,615,336 | 4,615,336 |
| At 31 March 2018 | 389,000 | 3,876,424 | 4,265,424 |

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 4,615,336 | 1,079,692 |
| Adjustments for: | | | |
| Interest income | 5 | ( 83) | ( 305) |
| Finance costs | 7 | 2,947,138 | 1,294,037 |
| Depreciation | 6 | 240,282 | 133,588 |
| | | 7,802,673 | 2,507,012 |
| Decrease/(increase) in trade receivables | | ( 33,757,523) | 5,430,170 |
| Decrease/(increase) in prepayments, deposits and other receivables | | ( 4,374,414) | 996,151 |
| Decrease/(increase) in an amount due from an intermediate holding company | | 1,292,689 | ( 11,670) |
| Decrease/(increase) in an amount due from a non-controlling shareholder | | ( 1,313,075) | 230,377 |
| Decrease/(increase) in an amount due from a related company | | ( 3,421,563) | 5,220,077 |
| Increase/(decrease) in trade payables | | 18,479,936 | ( 3,283,901) |
| Increase/(decrease) in other payables and accruals | | 344,251 | ( 970,972) |
| Decrease in amounts due to fellow subsidiaries | | ( 1,263,679) | ( 2,432,635) |
| Increase/(decrease) in amounts due to the immediate holding company | | 929,594 | ( 14,170,722) |
| Increase/(decrease) in an amount due to a non-controlling shareholder | | ( 2,778) | 2,778 |
| Cash used in operations | | ( 15,283,889) | ( 6,483,335) |
| Interest received | | 83 | 305 |
| Interest paid | | ( 2,947,138) | ( 1,294,037) |
| Net cash flows used in operating activities | | ( 18,230,944) | ( 7,777,067) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | ( 461,995) | ( 182,556) |

continued/...

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2018

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in bank borrowings | 106,558,415 | 8,091,128 |
| Repayment of bank borrowings | ( 87,499,331) | - |
| Net cash flows from financing activities | 19,059,084 | 8,091,128 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 366,145 | 131,505 |
| Cash and cash equivalents at the beginning of year | 528,484 | 396,979 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 894,629 | 528,484 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances | 894,629 | 549,657 |
| Bank overdraft | - | ( 21,173) |
| Cash and cash equivalents as stated in the statement of cash flows | 894,629 | 528,484 |

## 1. CORPORATE INFORMATION

JJ Star Industrial Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the year, the Company was engaged in the trading of garments.

The Company is a subsidiary of Norwest Industries Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$").

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

The adoption of the above revised HKFRSs has had no significant impact on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| HKFRS 9 | *Financial Instruments*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[2] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to a number of HKFRS issued in February 2018[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Company is in the process of making an assessment of the impact of the revised HKFRSs upon initial application but not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's financial performance and financial position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Company are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Company are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates/estimated useful lives used for this purpose are as follows:

| | |
|---|---|
| Leasehold improvements | Over the lease terms |
| Furniture and fixtures | 25% |
| Office equipment | 33⅓% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

*Initial recognition and measurement*

Financial assets of the Company are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

*Initial recognition and measurement*

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

*Subsequent measurement of loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)
When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax
Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method; and

(c) handling fee income, when the services are rendered.

Employee benefits

*Retirement benefit costs*

The Company operates a mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currency transactions

These financial statements are presented in HK$, which is the Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

*Impairment of trade receivables*

The Company maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Company makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Company would be required to revise the basis of making the allowance and its future results would be affected.

*Income tax and deferred tax*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

5. REVENUE, OTHER INCOME AND GAIN

Revenue represents the net invoiced value of goods sold.

An analysis of other income and gain is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest income | 83 | 305 |
| Handling fee income | 14,997,703 | 10,150,317 |
| Penalty on suppliers | 4,615,448 | 246,778 |
| Early payment discount from suppliers | 1,946,189 | 280,283 |
| Foreign exchange differences, net | - | 540,374 |
| Others | 16,486 | 344,802 |
| | 21,575,909 | 11,562,859 |

## 6. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Auditor's remuneration | 35,600 | 33,000 |
| Depreciation | 240,282 | 133,588 |
| Employee benefit expense (excluding directors' remuneration (note 8)): | | |
| Salaries and allowances | 10,293,987 | 4,733,592 |
| Pension scheme contributions (defined contribution scheme) | 67,080 | 67,080 |
| | 10,361,067 | 4,800,672 |
| Minimum lease payments under operating leases | 1,597,981 | 968,795 |
| Reversal of impairment of trade receivables | - | ( 344,802) |
| Foreign exchange differences, net | 509,107 | ( 540,374) |

## 7. FINANCE COSTS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Interest on bank overdraft | 2,941,573 | 1,294,037 |
| Others | 5,565 | - |
| | 2,947,138 | 1,294,037 |

## 8. DIRECTORS' REMUNERATION

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

## 9. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Company did not generate any assessable profits in Hong Kong during the year (2017: Nil).

A reconciliation of the tax charge applicable to profit before tax using the Hong Kong statutory rate of 16.5% (2017: 16.5%) to the tax at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

| | 2018 HK$ | % | 2017 HK$ | % |
|---|---|---|---|---|
| Profit before tax | 4,615,336 | | 1,079,692 | |
| Tax charge at the statutory tax rate | 761,530 | 16.5 | 178,149 | 16.5 |
| Expenses not deductible for tax | 29,161,324 | 638.1 | 13,008,947 | 1,204.9 |
| Income not subject to tax | ( 29,922,854) | (648.3) | ( 13,187,096) | (1,221.4) |
| Tax at the effective tax rate | - | - | - | - |

There was no unprovided deferred tax in respect of the year and as at the end of the reporting period (2017: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvement HK$ | Furniture and fixtures HK$ | Office equipment HK$ | Total HK$ |
|---|---|---|---|---|
| **31 March 2018** | | | | |
| At 31 March 2017 and at 1 April 2017: | | | | |
| Cost | 149,270 | 80,777 | 252,185 | 482,232 |
| Accumulated depreciation | ( 66,336) | ( 28,960) | ( 82,916) | (178,212) |
| Net carrying amount | 82,934 | 51,817 | 169,269 | 304,020 |
| At 31 March 2017 and at 1 April 2017: | 82,934 | 51,817 | 169,269 | 304,020 |
| Additions | 107,303 | 178,157 | 176,535 | 461,995 |
| Depreciation provided during the year | ( 65,400) | ( 55,581) | (119,301) | (240,282) |
| At 31 March 2018, net of accumulated depreciation | 124,837 | 174,393 | 226,503 | 525,733 |
| At 31 March 2018: | | | | |
| Cost | 256,573 | 258,934 | 428,720 | 944,227 |
| Accumulated depreciation | (131,736) | ( 84,541) | (202,217) | (418,494) |
| Net carrying amount | 124,837 | 174,393 | 226,503 | 525,733 |
| **31 March 2017** | | | | |
| At 31 March 2016 and at 1 April 2016: | 132,686 | 43,007 | 79,359 | 255,052 |
| Additions | - | 25,730 | 156,826 | 182,556 |
| Depreciation provided during the year | ( 49,752) | ( 16,920) | ( 66,916) | (133,588) |
| At 31 March 2017, net of accumulated depreciation | 82,934 | 51,817 | 169,269 | 304,020 |
| At 31 March 2017: | | | | |
| Cost | 149,270 | 80,777 | 252,185 | 482,232 |
| Accumulated depreciation | ( 66,336) | ( 28,960) | ( 82,916) | (178,212) |
| Net carrying amount | 82,934 | 51,817 | 169,269 | 304,020 |

## 11. TRADE RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Trade receivables | 37,220,707 | 3,463,184 |

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade receivables are non-interest bearing and are on credit terms up to 90 days. The Company seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Movements in the provision for impairment of trade receivables are as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| At the beginning of the year | - | 344,802 |
| Reversal of impairment losses (note 6) | - | ( 344,802) |
| At the end of the year | - | - |

An aged analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Neither past due nor impaired | 31,204,330 | 1,786,887 |
| Past due but not impaired: | | |
| Less than one month | 5,947,060 | 1,676,297 |
| One to three months | 69,317 | - |
| | 37,220,707 | 3,463,184 |

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have had a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Advance to vendors | 3,896,427 | - |
| Deposits | 833,321 | 424,275 |
| Prepayments | 144,040 | 94,706 |
| Other receivables | 19,607 | - |
| | 4,893,395 | 518,981 |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 13. OTHER PAYABLES AND ACCRUALS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Accrued employee benefits | 252,174 | 193,040 |
| Accruals | 34,300 | 23,672 |
| Other payables | 388,415 | 113,926 |
| | 674,889 | 330,638 |

Other payables are non-interest-bearing and have an average term of three months.

## 14. SHARE CAPITAL

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Issued and fully paid: | | |
| 50,000 (2017: 50,000) ordinary shares | 389,000 | 389,000 |

On incorporation, 50,000 ordinary shares were issued at 1 United States dollar ("US$") each to the subscribers which resulted in proceeds of US$50,000 (equivalent to HK$50,000).

## 15. INTEREST-BEARING BANK BORROWINGS

| | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|
| Clean Import Loan | 27,150,212 | 8,091,128 |

The clean import loan as at 31 March 2018 was denominated in United States dollars (2017: US$), interest-bearing at London Interbank Offered Rate ("LIBOR") plus 2% per annum (2017: LIBOR plus 2% per annum) and will be matured in June 2018.

## 16. NOTE TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

| | Interest-bearing bank borrowings<br>HK$ |
|---|---|
| At 1 April 2017 | 8,091,128 |
| Changes from financing cash flows | 19,059,084 |
| At 31 March 2018 | 27,150,212 |

## 17. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

| | Notes | 2018<br>HK$ | 2017<br>HK$ |
|---|---|---|---|
| Immediate holding company: | | | |
| Marketing fees received | (i) | - | 4,148,906 |
| Intermediate holding company: | | | |
| Management fees paid | (ii) | 822,735 | 466,800 |
| Fellow subsidiaries: | | | |
| Support services fee paid | (iii) | 1,554,029 | - |
| Rentals paid | (iv) | 143,957 | - |
| Sampling fees paid | (v) | 73,660 | - |
| Sampling fees received | (vi) | 9,725 | - |
| Marketing fees paid | (vii) | 6,502 | - |
| Consultancy fees paid | (viii) | - | 194,492 |

17. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) The marketing fees received were related to the provision of marketing services provided by the immediate holding company and were based on terms mutually agreed between the Company and the immediate holding company.

(ii) The management fees paid were based on terms mutually agreed between the Company and the intermediate holding company.

(iii) The support services paid were charged based on terms mutually agreed by the Company and fellow subsidiaries.

(iv) The rentals paid were based on the area of the office space occupied and on terms mutually agreed between the Company and the fellow subsidiaries.

(v) The sampling fees paid were charged at terms mutually agreed between the Company and fellow subsidiaries.

(vi) The sampling fees received were charged based on terms mutually agreed between the Company and fellow subsidiary.

(vii) The marketing fees paid were based on terms mutually agreed between the Company and fellow subsidiary.

(viii) The consultancy fees paid were based on terms mutually agreed between the Company and fellow subsidiaries.

(b) Outstanding balances with related parties

The balances with an intermediate holding company, the immediate holding company, fellow subsidiaries and a non-controlling shareholder are unsecured, interest-free and have no fixed terms of repayment.

17. RELATED PARTY TRANSACTIONS (continued)

(c) Particulars of an amount due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, is as follows:

| Name | At 31 March 2018 HK$ | Maximum amount outstanding during the year HK$ | At 31 March 2017 HK$ | Maximum amount outstanding during the year HK$ | At 1 April 2016 HK$ |
|---|---|---|---|---|---|
| JJ Star Fashion Limited | 10,965,669 | 24,124,502 | 7,544,106 | 17,352,025 | 12,764,183 |

The related company is a company owned by the spouse of a Company's director.

The amount due from a related company is unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 8 to the financial statements.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, deposits and other receivables, amounts due from the intermediate holding company, a non-controlling shareholder and a related company, and bank balances which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Company comprise trade payables, financial liabilities included in other payables and accruals, and amounts due to the immediate holding company, fellow subsidiaries and a non-controlling shareholder, which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

At the end of each reporting period, the carrying amounts of the Company's financial assets and financial liabilities reasonably approximated to their fair values.

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade receivables, deposits and other receivables, amounts due from an intermediate holding company, a related company and a non-controlling shareholder, bank balances, trade payables, financial liabilities included in other payables and accruals, amounts due to the immediate holding company, fellow subsidiaries and a non-controlling shareholder approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

*Credit risk*
The carrying amounts of deposits and other receivables, bank balances, trade receivables and amounts due from the intermediate holding company, a related company and a non-controlling shareholder represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's bank balances are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note 11 to the financial statements. At the end of the reporting period, 78% (2017: 89%) of the Company's trade receivables were due from the Company's top customer.

*Liquidity risk*
In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or are repayable within three months subsequent to the end of the reporting period.

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Capital management*

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to its shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

## 21. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. The directors consider that such reclassifications allow a more appropriate presentation of the Company's results of operations and/or better reflect the nature of the transactions.

## 22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2018.